

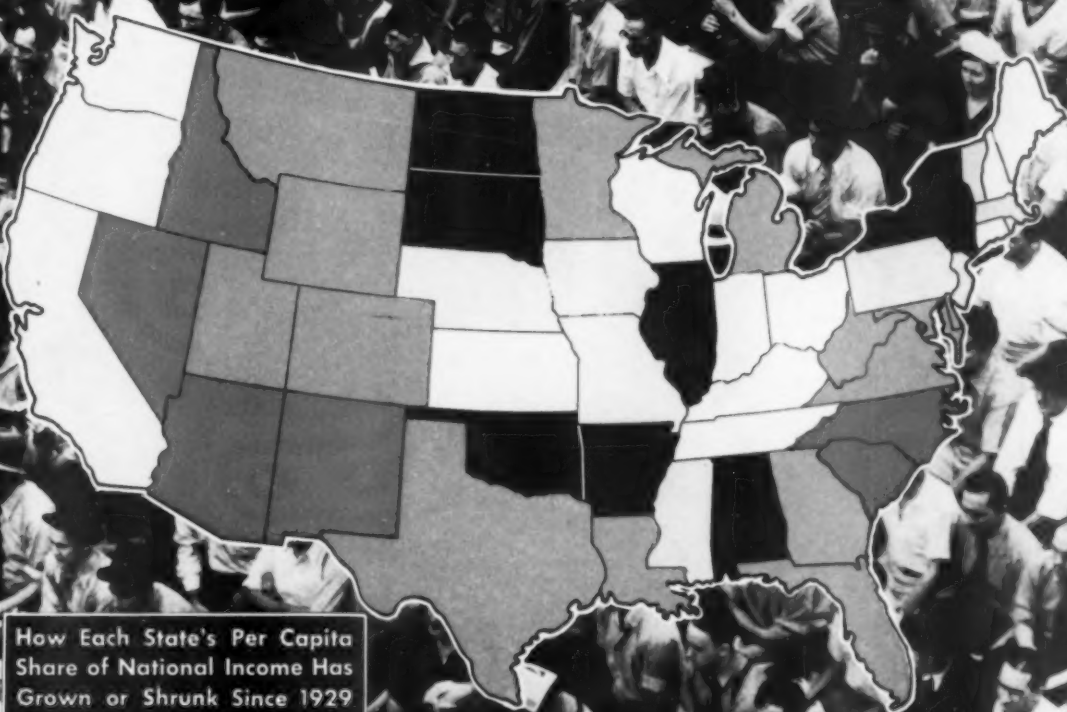
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1939

BUSINESS WEEK

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AMERICA'S SHIFTING PURCHASING POWER



In this issue:

A Special Report to Executives

PUBLISHED BY THE MCGRAW-HILL PUBLISHING COMPANY, INC. • TWENTY CENTS A COPY

INESS
CATOR

Ticker Tape for Shop Experts


The metal that curls back from your cutting tools tells a story of profit and loss as surely as the quotations coming in over a stock ticker.

Production costs are mounting. The only way to maintain a profit is to increase production per dollar of overhead, and that means higher speeds and higher accuracy in tools such as turret lathes—your metal "tape" must curl off your machines faster than it does in the plants of your competitors, and leave more accurate finished pieces.

Compared to turret lathes of even a few

years ago, modern Warner & Swaseys are cutting costs in hundreds of plants—sometimes as much as 50%—and are reducing scrap loss, increasing precision and saleability of product, improving employee relations because they are easier to operate.

Warner & Swasey field engineers will be glad to study your turning operations and show you in provable figures how they could make your shop "ticker tape" tell a more profitable story. There is no obligation. Write Warner & Swasey, Cleveland.



**WARNER
&
SWASEY**
Turret Lathes
Cleveland

**YOU CAN TURN IT BETTER, FASTER, FOR LESS
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"Pasteur-ized" Fish *to speed production*



Unusual—yet typical of American Mutual's safety work for firms we insure—was the thorough and individualized job we did, to check a tormenting hand-infection that plagued the employees of a fish-packer every spring. Our research IN THE PLANT showed the infection was

caused by a minute crab that clung to mackerel. So our investigators went on a mackerel-fishing expedition and obtained quantities of the crabs. Tests showed the irritation came in no ordinary way from the crabs, and must be due to a germ.

Delving into medical literature, we discovered studies of similar infections back as far as one by Pasteur in 1882; a Baltimore doctor in 1896; Russians, Germans, and Frenchmen in the 1920's.

Finally we combined the medical knowledge of fifty years and four countries, with our own experiments, and solved the fish-packer's problem.

* * *

American Mutual accident prevention service custom-builds a safety plan for each policyholder. Organizing ability, an understanding of worker

psychology, even medical knowledge, are applied to the elimination of each firm's specific hazards.

Besides accident prevention (frequently lowering insurance rates and preventing uninsurable losses), two other profits come to employers through

1. *Saving the skill of injured workers:* American Mutual's industrially-trained doctors work to restore the abilities each man needs for his job.

2. *Dividends to policyholders since 1887:* American Mutual and affiliated company dividends have always lowered costs 20% or more on practically all forms of insurance except life. Write Dept. W-3, 142 Berkeley St., Boston, Mass. for a copy of "How 12 Companies Made \$1,247,299.96."



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AMERICAN MUTUAL LIABILITY INSURANCE COMPANY
BOSTON, MASSACHUSETTS
BRANCHES IN 58 OF THE COUNTRY'S PRINCIPAL CITIES

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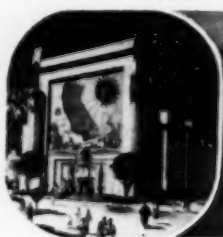
Great! And while you're in California why not take the time to study those factory sites we've been considering?



And that, Mr. Eastern Executive, is a way to kill two birds with *one* stone

TWO BIRDS with one stone! A great vacation and possibly, too, an important business problem solved!

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SO, FOR YOUR VACATION THIS YEAR, come to California... to San Francisco and Treasure Island! See the Golden Gate International Exposition which adds its wonder attractions to the ever-present natural appeals of the land of sunshine.

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THIS BUSINESS WEEK



The star attraction in this week's issue of BUSINESS WEEK is the Special Report to Executives, "America's Shifting Purchasing Power," which starts on p. 21 and crams more facts and figures into four pages than the World Almanac does (our estimate, offhand). Besides the map on the cover, which shows what has happened to each state's per capita share of the national income since 1929, a map on p. 21 and charts on p. 22 and 23 show trends in each state's buying power, as compared with the national average, and a table on p. 24 ranks each state according to total and per capita income.

What's More

U. S. TRAVEL TRADE is 20% better this year than it was in 1938, and 9% better than in 1937. What the various states are paying to advertise their charms this year, what tourists are likely to spend and where, p. 15... Assistant Attorney General Thurman Arnold has been threatening it for a long time, but now he seems to be all ready to give the industry a thorough going-over, p. 18... Last week a petroleum research laboratory succeeded in producing a new fuel with a 125-octane rating, for \$50 a gallon. What it is likely to mean to motor design and motor fuel, p. 42... Milwaukee's American Federation of Labor unions buy the Milwaukee Evening Post and start publishing a liberal (not labor) paper, p. 38.

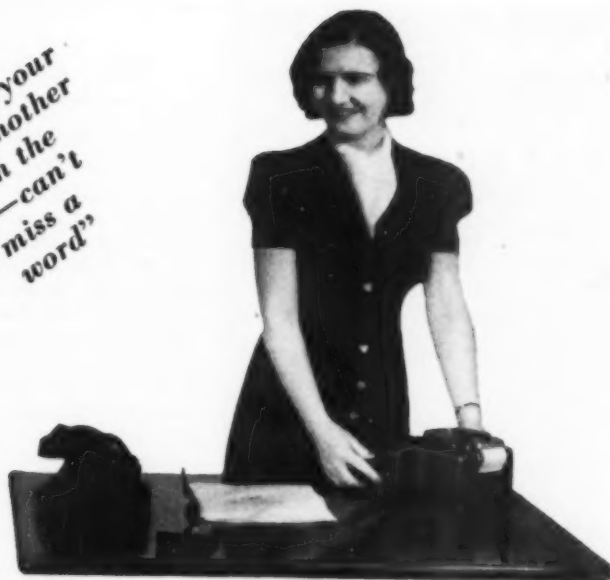
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YOU'VE probably often wished that you could have a verbatim report of your executive conferences, joint committee, labor committee, and sales meetings.

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Attention



NEW BUSINESS

Making Money

HOBART MFG. CO., which makes food-processing machines and Dayton scales, is augmenting its main plant at Troy, O., with two new buildings, having a total area of 60,000 square feet . . . Steller-Millar, Los Angeles advertising agency, offers Krick Weather Service Bulletin, containing two types of forecasts: a twice-a-week prediction of the weather in detail for each region in the U. S. and Canada for five or six days, and a monthly prediction of the trends for the coming month; the price is \$125 a year, and among the clients enumerated are Paramount, Metro-Goldwyn-Mayer, Columbia, RKO, Twentieth Century-Fox, Douglas Aircraft, Lord & Taylor, Marshall Field, Gimbel Bros., Du Pont, and Sears, Roebuck.

What's New?

STERN-BROWN, INC., Long Island City, N. Y., offers a two-slice toaster with knobs at each end that enable you to carry it even though it's hot; it has an open-type door that swings out to reverse the toast . . . Western Electric makes a "baby-bull" horn—a powerful loudspeaker, particularly suitable in baseball parks, outdoor concerts, county fairs, expositions, and similar gatherings where thousands of listeners are scattered over a broad area; the device has weather-resistant construction, and its directional characteristics permit the distribution of sound to desired areas without annoying people in adjacent places.

Our Times

PROFESSIONAL PHOTOGRAPHERS and serious amateurs are this week reading the first issue of *Photo-Technique*, McGraw-Hill's new 50¢ monthly (\$5 a year), with Keith Henney as editor and Beverly Dudley as managing editor . . . It isn't a pictorial, it isn't loaded up with pictures of pretty girls, and it does contain clear, meaty articles, helping the commercial and scientific users of photography to get better results . . . Fred W. Sargent has resigned the presidency of Chicago & North Western Railway "because of ill health, which will make it impossible for me to do any work for at least a considerable period of time, and possibly not at all."

Busy Reader

"THE PROBLEM OF RETAIL SITE SELECTION," by Prof. Richard U. Ratcliff, is a 96-page, paper-bound book that discusses "location characteristics and buying habits" and similar topics; published by University of Michigan, Ann Arbor, Mich.; \$1 . . . National Machine Tool

Builders Assn., Cleveland, has issued a booklet, "Machine Tools and You," which explains the fundamentals of the industry's processes, its manufacturing methods, working conditions, sales volume and prices, and its relation to the huge U. S. arms program.

Adhibitions

LEWIS HOWE CO., St. Louis, manufacturer of Tums, will use what is called the largest Red network ever assembled by NBC on a continuous basis; it will include 106 stations, on 52 successive Saturday nights, beginning Sept. 30 . . . The Texas Pecan Industry will advertise nationally this fall . . . Alexander Film Co., Colorado Springs, Colo., which produces and distributes short-length advertising movies for display in 8,000 theaters by local merchants, now has natural-color movies available for nine of its 51 client classifications: the cleaner, the bakery, laundry, paint and wallpaper dealers, grocery and market, dairy product firm, florist, jeweler, and furniture dealer.

Sales Strut

GENERAL CIGAR CO. has begun distributing a new 5¢ cigar under the "White Owl" brand name . . . B. F. Goodrich Co. has augmented its list of nationally merchandised products by adding automotive horns (called "Clearway") and lights (called "Trippe Safety" and "Supreme") . . . McKesson & Robbins, Inc., wants department heads and junior executives in its manufacturing department at Bridgeport, Conn., to understand practical sales problems, so it has organized 40 of them in a study group and will make them go out on the road and do actual selling . . . Lion Oil Refining Co. has begun issuing a monthly magazine for its employees, the *Naturaluber*.

Add What's New?

"Bow-Wow BUFFET," a Bakelite-molded, sanitary, combined food-and-drink bowl for dogs, marketed by Stafford Siekert Co., Milwaukee, has two compartments, each holding a quart, and has no crevices or square corners; its base has a pure gummed cerated tubing that is designed to hold it firmly to all kinds of floor surfaces, including waxed linoleum, and to prevent the bowl from slipping . . . A patented shoelace that "will not untie" is made by Barthels Mfg. Co., Glendale, Brooklyn; half a dozen inches at one end of the lace, and half a dozen inches at the other, contain tiny bulges, about an inch apart, small enough to pass through the eyelets of the shoe, but just big enough so that after the knot is tied, the bulges keep it from slipping loose.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—President Roosevelt's strategy that lies behind all the roseate reports of tax revision is something no business man, investor, or corporation official should overlook.

The President intends to permit the modification of taxes precisely along the line that business has been clamoring for, as long as revenues are not reduced. This course was urged by conservative Democrats but, whatever the outcome, as Roosevelt sees it, the New Deal will be the beneficiary.

Revival Will Aid New Deal

IF BUSINESS DOES REVIVE after the passage of the tax bill—whether the bill has anything to do with it or not—chances for the nomination of a New Dealer, either Roosevelt or someone else, will improve immeasurably, and the prospects for the Republicans winning control of the government in 1940 will be proportionately dimmed.

Business would take up part of the unemployment, and federal outlay for relief might be reduced somewhat. Income tax returns, both from individuals and corporations, would zoom, and the uneasiness of the voters about the government going on the rocks financially would recede as a campaign issue.

So Would Continued Slump

IF BUSINESS DOES NOT REVIVE after the passage of the tax bill now being rushed through, the New Deal will say to the country: "You see, business simply won't play ball. It is on a sitdown strike. The government must take care of the needy. It must supply the spending which business refuses to provide, but which is absolutely essential for general welfare." More spending and lending would start, and critics of the New Deal, both within and without the Democratic party, would have a much tougher time making their points click with the voters.

Adjourn July 15?

EVERY EFFORT will be made to push the tax bill through and secure an early adjournment. July 15 is the date most talked about, but it will probably be later. You must always remember that Congress cannot function, or at least never has functioned, on a time schedule.

How Revision Shapes Up

ONE OF MORGENTHAU'S TAX PROPOSALS is definitely out. That is his plan to remove the exemption from income taxes on government securities. Hence there is less likelihood of reducing taxes

in the higher income brackets, which he regards as a companion piece.

The remnant of the undistributed profits tax will be allowed to die, as BUSINESS WEEK has constantly predicted if there were any tax revision at all. And even more important, corporations will be permitted to carry over losses in bad years to earnings in good years.

The excise taxes will be continued. There will be a flat 18% tax on net corporation earnings. The excess profits

and capital stock taxes will be continued, with the important revision that capital stock valuations may be altered yearly. Thus business men will not have to try to guess earnings three years ahead, as at present.

Some liberalization of the corporation capital gains and losses section is indicated.

There is also sentiment for liberalization of the methods prescribed for taking inventories and for allowing corporations to buy in their bonds below par without regarding the discount as "net profit." This, of course, is designed mainly to aid weaker corporations.

Mr. Madden Proposes



Shrewd tactics by the Administration in staving off amendments of the Wagner Act are nowhere more apparent than in Chairman J. Warren Madden's announcement that the National Labor Relations Board soon will amend its rules to permit employers to petition for a collective bargaining election. You can take it for granted that this won't happen until all possibility of revamping the act this session has vanished. The row will start afresh when it is revealed that the conditions attached to the right of petition will be such as to allow the board wide latitude in running things pretty much as it has in the past. You don't have to look beyond Madden's candid statement to the House Labor Committee that "the question looms larger in public opinion and in editorial writings than it does in any practical importance."

No Dirt in Postponement

SUDDEN POSTPONEMENT till next fall of the Temporary National Economic Committee's quiz of investment bankers warrants a more plausible explanation than any that has been officially uttered so far. Chairman Frank of SEC is responsible for the change in schedule, his apparent reason being that the commission is not yet ready to invite testimony from Morgan, Stanley; Kuhn, Loeb; and other houses until its own investigation provides a broader basis of interrogation.

Because it's a ticklish subject, members of TNEC were readily persuaded to skip over it for the time being; Leon Henderson, SEC's new member, was fearful lest suspicion be aroused by postponement and argued for going ahead with the hearings, but lost out. The result is an epidemic of rumors that there's dirty linen in SEC's closet which it feared that disgruntled security underwriters would wash in public.

TNEC Sets Its Schedules

PART OF TNEC'S TROUBLE is to keep its Congressional members on the job. With the adjournment drive already getting under way, there are a thousand things that most of them would rather do than sit in on the long hearings. Members are being canvassed on a proposal to carry on hearings during the recess of Congress by subcommittees.

Following another go with the insurance companies next week, TNEC will take a look into the construction industry, then try to get some notion of the organization, operation, and effects of cartelized industry abroad. Finally, then, the oil industry will get to tell its story in the first of a series of industry presentations to be made between now and next February.

No D.C. Fair Trade

A ONE-PARAGRAPH LETTER from President Roosevelt to Speaker Bankhead

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and Vice-President Garner has killed the proposed District of Columbia fair trade bill. The President suggested action be withheld until FTC and TNEC finish with fair trade and distribution surveys. Members of the House district committee, torn between retailer support for the measure and farm and consumer group opposition, seem only too glad of an excuse to lay the controversial bill on the shelf.

Ad Agencies' Admissions

LOOK FOR ANNOUNCEMENT by Federal Trade Commission soon of several stipulations in which advertising agencies admit responsibility for dissemination of copy objectionable to the commission and agree to refrain in future.

This is the first fruit of FTC's decision (BW—Apr 15 '39, p8) to proceed against agencies rather than vendor-advertisers where it is established that the claims made on behalf of advertised products are the agencies' brainchildren.

To Move Cotton Surplus

APPLICATION TO COTTON GOODS of the stamp plan for disposing of food surpluses now is being worked up by the Department of Agriculture as predicted. Trade representatives will be called together when the tentative plan is ready about the middle of June. It won't be put into effect until current cotton sales promotion drives have wound up.

As in food distribution, relievers will be given stamps good for cotton goods and garments to supplement their present clothing purchases.

Canada Cold to Seaway?

A SUSPICION THAT Canada, having gotten the grain export business anyhow, has lost interest in the St. Lawrence seaway, is developing in Washington, to the annoyance of the public power advocates. Forecasts are that Roosevelt will ask the King to turn the heat on the Canadian government to get action.

But before the ICC this past week appeared agonized Erie Canal operators, protesting against the railroads' cutting grain rates from Buffalo to New York from 6.7¢ to 5¢ flat. The railroads said they had to cut to get the business back from Canada. In 1932 76% of all U. S. grain for export moved through U. S. ports, in 1938 only 28%.

Alky-Gas Experimentation

EVEN THOUGH THEY ADMIT that any federal subsidy of alcohol-blended fuel is "premature" (a nice way of saying it's economically unsound now) Agriculture Department officials are planning a small pilot plant for making power alcohol from farm products in connection with the regional laboratory to be set up at Peoria, Ill.

The plant, with a daily capacity of under 500 gallons, is to be the department's answer to constant pressure from

Navy Stops Extension of Walsh-Healey

DISCREET HINTS that the huge armament program will suffer may be enough to stop labor's attempt to amend the Walsh-Healey act, which provides for wage-and-hour regulation of firms getting government contracts. The navy's opposition to the amendment is scoring heavily.

The average number of bidders on contracts has decreased from 7½ to 4½ and a further damper to competition is foreseen if the exemption limit is lowered from \$10,000 to \$2,000 and the law is amended to include subcontractors. More orders now are going to large concerns, and inclusion of contractors for smaller amounts might accelerate that trend.

the Midwest for subsidy of alky-gas as a farm relief measure. Its own figures show that cost of a gallon of alcohol made from 35¢ corn (present market price) would be about 27¢ at the plant compared with 5¢ a gallon for gasoline at the refinery.

It's a better than a 10-to-1 shot that bills now before the Senate to exempt "alky-gas" from the federal motor fuel tax will die in committee.

Rail Legislation Falters

SENTIMENTAL REGARD for "Uncle Dan" Willard will help secure enactment of the Chandler bill permitting the Baltimore & Ohio and the Lehigh Valley to arrive at a voluntary adjustment with their creditors.

Senator Wheeler's bill to set up a special reorganization court has passed the Senate, but the chances are that it won't pass the House. There's too much opposition from the railroads and their security holders.

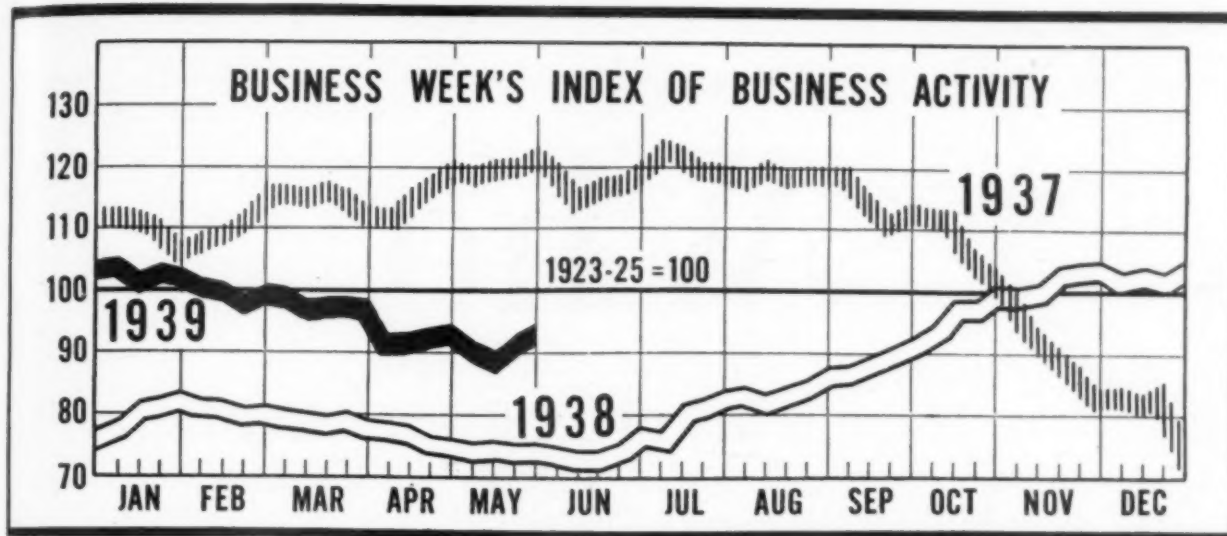
The Wheeler bill codifying the Interstate Commerce Act and subjecting waterways to regulation by the Interstate Commerce Commission suffered numerous amendments in running the gauntlet in the Senate. Similar treatment can be expected in the House, and the bill may be caught by adjournment.

Wool Labeling in Doubt

LIST THE WOOL LABELING BILL by Sen. Schwartz and Rep. Martin with other measures whose chance for passage depends upon the length of the current session. Reported favorably by the Senate Interstate Commerce Committee, the bill is now before a House subcommittee.

Most effective opposition has been built around the claim that administration of the law would be difficult, greater consumer protection a myth.

THE FIGURES OF THE WEEK



THE INDEX

PRODUCTION

* Steel Ingot Operations (% of capacity).....	52.2	48.5	47.8	60.7	26.1
* Automobile Production	67,740	80,145	86,640	84,930	45,120
* Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$5,043	\$4,708	\$4,775	\$4,365	\$3,268
* Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$0,548	\$10,541	\$10,682	\$9,734	\$8,031
* Electric Power Output (million kilowatt-hours).....	2,205	2,170	2,183	2,184	1,973
* Crude Oil (daily average, 1,000 bbls.).....	3,585	3,438	3,568	3,261	3,099
* Bituminous Coal (daily average, 1,000 tons).....	867	†179	479	1,388	826

TRADE

* Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	68	68	67	70	61
* All Other Carloadings (daily average, 1,000 cars).....	35	25	26	39	29
Check Payments (outside N. Y. City, millions).....	\$3,779	\$4,161	\$3,832	\$4,097	\$3,532
Money in Circulation (Wednesday series, millions).....	\$6,893	\$6,913	\$6,880	\$6,763	\$6,393
Department Store Sales (change from same week of preceding year).....	+7%	+22%	None	-5%	-14%

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	144.6	144.1	140.7	141.2	131.0
Iron and Steel Composite (Steel, ton).....	\$35.63	\$35.63	\$36.26	\$36.37	\$38.44
Scrap Steel Composite (Iron Age, ton).....	\$14.21	\$14.08	\$14.25	\$14.92	\$11.17
Copper (electrolytic, Connecticut Valley, lb.).....	10.000¢	10.000¢	10.250¢	11.250¢	9.000¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.78	\$0.76	\$0.71	\$0.63	\$0.77
Sugar (raw, delivered New York, lb.).....	2.90¢	2.90¢	2.92¢	3.00¢	2.65¢
Cotton (middling, New York, lb.).....	9.79¢	9.78¢	9.18¢	9.00¢	7.92¢
Wool Tops (New York, lb.).....	\$0.860	\$0.864	\$0.847	\$0.828	\$0.763
Rubber (ribbed smoked sheets, New York, lb.).....	16.39¢	16.07¢	15.85¢	15.74¢	11.31¢

FINANCE

Corporate Bond Yield (Standard Statistics, 45 issues).....	5.65%	5.74%	5.80%	5.78%	6.64%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.13%	2.14%	2.27%	2.51%	2.51%
U. S. Treasury 3-to-5 year Note Yield.....	0.40%	0.40%	0.48%	0.72%	0.72%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	¾%	¾-1%
Business Failures (Dun & Bradstreet, number).....	252	237	273	191	257

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	16,955	16,681	16,742	15,916	14,697
Total Loans and Investments, reporting member banks.....	21,673	21,609	21,775	21,306	20,597
Commercial and Agricultural Loans, reporting member banks.....	3,837	3,845	3,844	3,869	4,031
Securities Loans, reporting member banks.....	1,258	1,178	1,220	1,276	1,165
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks..	19,310	19,338	19,300	19,811	19,307
Other Securities Held, reporting member banks.....	3,238	3,228	3,375	3,192	2,945
Excess Reserves, all member banks (Wednesday series).....	4,300	4,240	4,120	3,353	2,632
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,576	2,576	2,580	2,587	2,583

STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	111.8	107.5	106.8	124.8	91.4
20 Railroads, Price Index (Standard Statistics).....	27.9	26.4	26.0	29.9	21.4
20 Utilities, Price Index (Standard Statistics).....	67.2	65.3	63.7	63.5	52.9
90 Stocks, Price Index (Standard Statistics).....	91.7	88.3	87.4	100.1	74.4
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	728	†521	529	1,007	600

* Factor in Business Week Index. • Preliminary, week ended May 27th. † Revised. § Date for "Latest Week" on each series on request.

Who

are the clients of LORD & THOMAS

*...and how long
have they been clients?*

QUESTION No. 1. How many advertisers have retained Lord & Thomas continuously for a period of 10 to 30 years?

Even our own employees were amazed at the answer.
What's *your* guess?

☐

Answer here

QUESTION No. 2. How many Lord & Thomas clients placed their accounts with this agency during the uncertain and difficult years of the depression?

Advertising had to be *great* to sell goods in those days.
How many picked us to win?

☐

QUESTION No. 3. How many Lord & Thomas clients placed their accounts with us during the past year?

It's the new account that tests the mettle and virility of an agency. Bet you're way off on this one.

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You'll Find the Answers on THE BACK COVER

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B U S I N E S S W E E K

June 3, 1939

THE BUSINESS OUTLOOK

Stock and commodity prices hold their gains. *Business Week* index of activity advances once more. Revival will probably again get under way this summer, though not very sharply.

THE IMPROVEMENT in business sentiment which had become evident in the preceding 10 days went moderately further this week. It was registered in both the industrial and financial indicators. Stock and commodity prices held their previous gains, and the *BUSINESS WEEK* index of activity made its second advance, taking it approximately to the 95 level.

Recover Extra Loss

At 95 this index is at the point which had been marked out last winter as a possible termination for the 1939 recession, based on the natural reaction from the speedy recovery of late 1938 and on the apparent accumulation of inventories in a number of lines. The six weeks' coal strike broke into this pattern and during its final week caused the index to dip to a fraction above 90. This extra loss has now been recovered, and the earlier pattern should reassert itself if it is still justified. In other words, the weight of evidence favors the view that revival should again get under way some time this summer from a level not much, if at all, below the present 95.

Any such revival could hardly be a rapid and whole-hearted one of the type of last year's June-December advance. The factors working in each direction are well enough balanced to make only a hard-won victory of the revival forces possible. This may be indicated by briefly reviewing the present status of some of these forces.

Bearish War, Bullish Arms

The international situation offers a major unfavorable side in the war crisis and a major favorable side in the armament programs resulting from the crisis. So long as the crisis continues in its quiescent stage of the last two or three weeks, the unfavorable side will have only a long-range deadening influence, but no immediately sharp depressing effect, on American business. It is too much to hope that this quiet can continue, however. Offsetting this depressing influence to some extent should be export orders from the foreign countries which are rapidly arming to the teeth.

The domestic political situation is also

both bearish and bullish—the former in the increasing hostility between business and the Administration now that the latter has dropped “appeasement,” the latter in the prospects of a new spending program to carry on the work of the one now in process, and in Congressional conservatism now and the hopes of an electoral conservatism in 1940. On the whole, a bullish influence for the next four months, due to the current government spending, then a let-down, and finally a pick-up next spring and summer as a new spending program comes into action or as the conservative swing at the polls develops, is the most likely forecast of the Washington influence.

In the Outlook



Stalelated for several months, tax revision broke into the business outlook again last week as Business Item No. 1 when Secretary of the Treasury Henry Morgenthau Jr. (above, with Undersecretary John W. Hanes), first witness at the House Ways and Means Committee tax revision hearings, offered his proposals for a revised tax program which he thinks would remove the present business “irritants” and “deterrents.”

In the industrial outlook, a principal bearish influence is the expected curtailment in two major industries—automobile and cotton textiles. In these fields the general principle that inventories are now reasonably low does not apply. Automobile stocks for the end of April were the highest for that date in recent years, and even the sharp reduction in May which probably occurred leaves them high. Moreover, the expected change to new models in time for display at the two fairs means that cessation of output on the present models will come sooner than usual.

Print cloth inventories have been reported to be close to an all-time peak, and it is doubtful that the heavy buying movement before Decoration Day was by itself enough to result in the necessary reduction. The mills are facing one of the smallest margins between raw cotton and cloth prices on record, and it is expected that they will go ahead with their long deferred curtailment plans.

Construction and Retailing

In opposition to these threatening curtailments, the continued push from construction contracts and general consumer purchasing must be noted. Heavy engineering awards have been on the downgrade for some time, but residential contracts continue good and the whole building situation is still satisfactory. In the retail field, although rural sales have been making the best showing, department stores have not lagged far behind. The announcement last week that department store inventories at the end of April had lost their winter's gains must be counted as favorable in predicting the trend of buying for the next few months.

Basis of Recovery

The prospects for summer and fall are, in brief, for a relatively small revival in activity, originating in consumer spending and, so far as the heavy industries go, in building operations financed directly or indirectly by the government. The bold investment of equity capital from which alone a broad and far-

reaching revival could receive its impulse is not yet in sight. A modest gain of 5 to 10 points on the business index is all that one may in justice hope for today.

Taxes on Voluntaries

Such stores must get same treatment as chains, according to Colorado court.

EARLY THIS WEEK the Colorado Supreme Court added another decision to those already handed down in other states which hold that voluntary and cooperative groups are liable to taxation under state chain store acts. The Colorado court held that some 35 independently owned auto supply stores operating under Gamble-Skogmo franchise must pay the state chain store license fee. Use of the Gamble-Skogmo name, uniform store fronts, and contractual relations for supplying of merchandise all give Gamble-Skogmo control of the group, under the court's interpretation of the Colorado law.

Following the decision, Colorado's state treasurer expressed the opinion that use of a common name or store design will be enough to cause state officials to bring action against other voluntaries, and also against cooperatives. Thus, in the grocery field where voluntaries and cooperatives flourish to the greatest extent, such organizations as Red and

White, and Independent Grocers Alliance, may have to pay the graduated tax. As yet the U. S. Supreme Court has not spoken the final word on the position of voluntaries and cooperatives under the 20-odd state chain store laws, but at the present time it has before it a petition of the Belk Bros. Co. for review of a decision by the North Carolina Supreme Court upholding the state's right to collect the chain license fee from a group of 42 individually owned dry goods stores, all of whom use the Belk name.

Nearest federal precedent came a couple of years ago when the U. S. Circuit Court of Appeals held that the North Carolina law applied to Shell Eastern Petroleum Products, Inc., which sought to avoid paying the chain tax on 130 filling stations leased to dealers. The Circuit Court found that, by various contracts with the dealers, Shell had retained sufficient control to enjoy the advantages of chain operation.

Sudden Interest Cut

Chicago suburban banks slash rate, without waiting for Loop banks to act.

ON FRIDAY, MAY 26, when homeward-bound executives of Chicago's big Loop banks turned to the financial pages of their afternoon newspapers, they got a surprise. A group of suburban banks had upset precedent by making an impor-

Triple Fare Play

IN PUTTING THEIR PASSENGER mileage on a quantity discount basis—the longer the round-trip the lower the rate—Eastern railroads this week made a shrewd triple play for business:

Reduction in the round-trip coach cost from 2.5¢ a mile to sliding rates ranging from 2.25¢ to 1.7¢ is calculated to win bus-users to the rails.

Lopping lower berth Pullman fares and charges is calculated to move coach passengers into Pullman cars, boosting railroad gross.

Finally, by lowering first-class round-trip fares, the roads widen the spread between rail and air rates, improve their competitive position on a price basis. Example: from New York to Chicago by lower berth, the old round-trip rate was \$67.10; new rate is \$61.65. By air (with a sliding 15% mileage discount) the round-trip cost is \$76.40.

The sliding scale rates are due to take effect this month. But the East's "Big Four" are split. The New Haven did not go along with the Central, Pennsylvania, and B. & O.

Bankers Cruise and Pose—Then to Work



Aboard the liner *Manhattan*, New York State Bankers Association President Thomas A. Wilson (right) posed with Skipper A. B. Randall and Clifford F. Post, secretary of the association, at the start of the con-

vention cruise to Bermuda. Then Mr. Wilson opened the convention, blaming too high interest on savings deposits for many bank ills, urging study of the subject in order to find the best possible cure.

tant change in interest rates without waiting for the Loop banks to make the first move.

The change in itself—quite aside from the broken precedent—was enough to gain the attention of savers in the Chicago area. These suburban banks—all those along the North Shore from Evanston to Lake Forest—had agreed to cut the amount of interest they will pay on "time" or savings deposits from the prevailing 1½% to 1% on July 1.

It's a movement which bids fair to spread. Banks are having trouble finding anything to invest their money in excepting government bonds, and they don't get fat on the income they make off Uncle Sam's promises to pay. Net profits, after overhead, expenses and interest, haven't been such as to make stockholders throw their hats in the air, and they haven't been such as to let the banks build up their capital funds.

Under the circumstances, the suburban banks went to the big downtown banks a good while ago, asking that the Chicago Clearing House Association initiate a reduction in the interest on time deposits. A lot of the Loop bankers were for it. But the First National, whose proud boast is that it has the world's largest aggregation of savings beneath one roof, balked.

Tired of the dawdling by the Clearing House members, the North Shore banks—which don't even have an association



Dividends for the United States summer travel business this year are in the two world's fairs being held on the East and West Coasts, but the regular steady returns

are still found to be in the same old combination—the mountains and the seashore. Left, above, Helena, Mont. Right, Nantucket, Mass.

of their own—took the bit in their teeth. They maintain that outlying banks are harder hit than the big boys. They have to pay interest on around 50% of their deposits, contrasted with perhaps 15% downtown. Local loans are harder to get in the suburbs, and the little banks don't get any pie when a big corporation is borrowing.

Loop bankers, most of whom had had little or no hint that the interest cut was coming, are wondering how far it will go. And some of those downtowners who have favored an all-around reduction, chuckled a little.

"It looks as if we had had our hands forced," one of them admitted privately. "In spite of maintaining elaborate comptroller's departments which know every cost down to the fifth decimal, we didn't have the gumption to act. Maybe it wouldn't hurt LaSalle Street if it had a few suburban bankers with the courage of their convictions."

New Yorkers Have Same Worry

And, while Chicago pondered its problem, the New York State Bankers Association was studying the same topic on its seafaring convention to Bermuda aboard the liner Manhattan. The New Yorkers heard their president advocate an interest rate on time deposits ranging from $\frac{1}{4}$ % to 1½%, depending on how long the depositor would agree to let his savings rest with the bank. And the committee on bank costs said depositors would approve of lower interest rates, knowing the move to be in the interest of the depositor's safety.

1939 Sets New Travel Records

This year is 20% better than last, and 9% better than '37. New York and San Francisco fairs set people moving. Railroads, buses, and hotels gain.

"THIS WILL BE AS good a year as 1937 for domestic travel, and 1937 was the best year since Hector was a pup," said an official of one of the nation's big travel agencies this week. And the annual survey of domestic travel made by BUSINESS WEEK indicates that this year will be 20% better than 1938, and 9% better than banner 1937.

From all over the country, a great surge of traveling Americans is answering the pied piper of the New York World's Fair, Grover Whalen, and the less intense ballyhoo of the Golden Gate International Exposition.

By and large, the states in the San Francisco-New York axis will do the best. New Jersey, one of the most recent to advertise for tourist business, reports a probable 28% increase this year. The New England states will use \$200,000 for collective advertisements, and are pointing out that their scenic areas begin only 20 miles from the World's Fair.

In the West, 15 weeks of the Golden Gate International Exposition have already given an extra boost to travel. The state of Washington handled an \$82,000,000 business last year and expects to exceed \$100,000,000 this year. Oregon and Nevada more conservatively look

for respective jumps of 10% and 5%. And Yosemite National Park in boom California reports that in the first month of the San Francisco exposition, park attendance soared more than 100% above the same period last year. Western parks in general report a 20 to 60% gain.

There is one pessimistic note. States on the periphery of the two-fair orbit will not do so well. Some expect no increase, and a few even predict a decrease in travel.

States Go After Business

The Illinois legislature this year, aware of the state's strategic position astride the route to the two fairs, is considering an appropriation of \$250,000 to advertise its tourist attractions. Three other states report appropriations to BUSINESS WEEK for the first time. Kentucky will spend \$20,000, Virginia has voted \$38,500, and Louisiana's Tourist Bureau in Baton Rouge has a \$50,000 fund.

The New York fair has given a decided impetus to seashore resorts in the East. Atlantic City will spend \$100,000 to advertise for tourists, and others will spend lesser amounts.

Travel in 1938 was a \$4,500,000,000 industry. On the basis of its survey,

BUSINESS WEEK estimates that travel expenditures should exceed \$5,400,000,000. Transport agencies' share will be about \$1,080,000,000. Hotels and tourist camps can expect another \$1,080,000,000. The food industry will benefit to the tune of \$1,134,000,000. Department stores, the clothing industry, sporting goods shops will garner a \$1,350,000,000 slice. To keep amused, the tourist will spend \$432,000,000. Finally, \$324,000,000 will go for confectionery and soft drinks.

Out of every dollar spend by tourists at the New York World's Fair, only 7¢ will go to the fair proper, according to the United States Travel Bureau. This compares with 6¢ which goes to the ex-

position management at San Francisco. The rest of the dollar goes to business, and divides up this way at the two fairs:

	New York	San Francisco
Housing	20¢	25¢
Food and drink..	23¢	36¢
Clothing	14¢	10¢
Transportation...	10¢	18¢
Entertainment (outside the fairs).....	20¢	1¢
Personal services.	5¢	3¢
Communications..	1¢	1¢

Railroads will register a big passenger gain. Special excursions and rates have given momentum to World's Fair traffic. One big Eastern road reports a 7.7%

increase since the beginning of May, and expects this figure to jump to 20% during the summer months.

Bus companies are emphasizing comfort. A new fleet of 25 streamlined, diesel-powered vehicles will operate between Chicago and San Francisco on a 59-hour schedule.

Popularity of air travel is reflected in the 25% increase in travel reported by Eastern Air Lines, and the 15% increase by Transcontinental Western Airways. Both are operating at capacity, and Eastern will run 18 daily tours between New York and Washington this summer.

Nevertheless, about 80% of domestic travel will be by automobile. Joe H. Thompson, director of Continental Oil Co.'s Travel Bureau in Denver, estimates that 13,660,000 cars will be on the road this year carrying 45,000,000 motorists on trips which will average 3,619 miles and include nine states.

In contrast to other divisions of the tourist business, the national parks lost little ground in depression 1938. This year, all-expense tours that include the parks have shown as high as a 300% increase in some instances. The Abraham Lincoln National Park in Kentucky has shown the biggest increase.

"Good Neighbors" Go South

Continued war scares will make 1939 another bad year for travel abroad. The State Department reports a 30% drop in passport applications for the first quarter of 1939, and a 50% decline for the month of April. But travel agencies optimistically point to a pickup in bookings during the international lull of the last three weeks. The real bright spot on foreign vacation routes is the increase in travel to South America, spurred by new deluxe accommodations, and a generally greater awareness in the United States of our southern neighbors.

Widespread advertising of the New York fair throughout Europe has succeeded in attracting many thousands of tourists, especially from Great Britain and Scandinavia. They will visit the fair, and in the majority of cases, make the conventional swing of the East—Boston, Niagara Falls, and Washington.

Wants U. S. to Advertise Itself

The United States Travel Bureau in Washington and New York is doing all that it can on its limited appropriations to bring Europeans to this country, but the lack of funds has kept it from financing any long-term work abroad.

Officials of the bureau envisage a national travel service based on foreign models and backed by an adequate Congressional appropriation. Expenditures of foreign travelers in the United States last year were only \$54,000,000. The big increase in tourist traffic to those states which have advertised in the past few years is pointed out as an example of what advertising can accomplish.

America Takes to the Road

What states pay to advertise their charms, and how much tourists will contribute to local business

State	Number of Expected Tourists	Estimated Tourist Expenditures	Advertising Appropriation
Alabama.....	1,394,008 (1)	\$36,243,900 (1)	.....
Arizona.....	2,186,869 (1)	82,561,356 (1)	\$42,000 (2)
Arkansas.....	1,887,666 (1)	66,258,500 (1)	.....
California.....	4,300,500 (1)	235,275,505 (1)	477,859 (2)
Colorado.....	1,576,800 (1)	57,200,000 (1)	150,000 (3)
Delaware.....	.....	.....	.....
District of Columbia....	11,336,490	67,435,704	.....
Florida.....	.....	.....	.....
Georgia.....	.....	.....	.....
Idaho.....	1,672,160 (1)	29,371,298 (1)	.....
Illinois.....	6,000,000 (2)	144,000,000 (2)	250,000 (4)
Indiana.....	1,715,175 (1)	48,928,880 (1)	.....
Iowa.....	3,531,736 (1)	30,608,402 (1)	.....
Kansas.....	3,577,284 (1)	31,003,122 (1)	.....
Kentucky.....	1,542,903 (1)	58,748,001 (1)	20,000 (2)
Louisiana.....	2,000,000 (2)	42,000,000 (2)	50,000 (2)
Maryland.....	13,189,715 (1)	47,645,422 (1)	.....
Michigan.....	12,000,000 (2)	350,000,000 (2)	150,000 (2)
Minnesota.....	3,610,965 (1)	205,373,596 (1)	105,900 (3)
Mississippi.....	4,913,330 (2)	21,900,000 (2)	100,000 (2)
Missouri.....	2,179,727 (1)	85,009,405 (1)	.....
Montana.....	1,720,620 (1)	29,181,715 (1)	30,000 (3)
Nebraska.....	2,625,292 (1)	37,920,890 (1)	.....
Nevada.....	1,984,180 (1)	11,464,024 (1)	7,500 (3)
New England.....	3,085,500 (1)	416,240,000 (1)	200,000 (2)
Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	.....	.....	.....
New Jersey.....	.....	175,000,000 (2)	160,000 (2)
New Mexico.....	1,594,000 (2)	80,000,000 (2)	60,000 (2)
New York.....	11,000,000 (1 & 2)	456,000,000 (2)	152,652 (2)
North Carolina.....	2,145,000 (1)	69,300,000 (1)	250,000 (3)*
North Dakota.....	889,804 (1)	8,575,598 (1)	3,000 (3)
Ohio.....	2,793,890 (1)	97,961,710 (1)	.....
Oklahoma.....	3,921,830 (1)	38,164,500 (1)	.....
Oregon.....	800,000 (2)	40,000,000 (2)	160,000 (2)
Pennsylvania.....	.....	.....	500,000 (2)
South Carolina.....	1,304,490 (1)	25,437,775 (1)	.....
South Dakota.....	1,216,372 (1)	12,743,720 (1)	10,000 (3)
Tennessee.....	2,230,030 (1)	57,983,200 (1)	.....
Texas.....	4,688,425 (1)	304,747,625 (1)	.....
Utah.....	1,695,100 (1)	35,180,200 (1)	.....
Virginia.....	10,500,000 (2)	157,500,000 (2)	38,500 (2)
Washington.....	794,560 (2)	82,933,846 (2)	68,000 (3)
West Virginia.....	.....	.....	50,000 (3)
Wisconsin.....	4,546,575 (1)	150,040,000 (1)	75,000 (3)
Wyoming.....	1,182,566 (2)	15,120,279 (2)	22,500 (2)

(1) Continental Oil Co. (Travel Service Division estimates for 1939).

(2) 1938 travel figures reported by state authorities to Business Week.

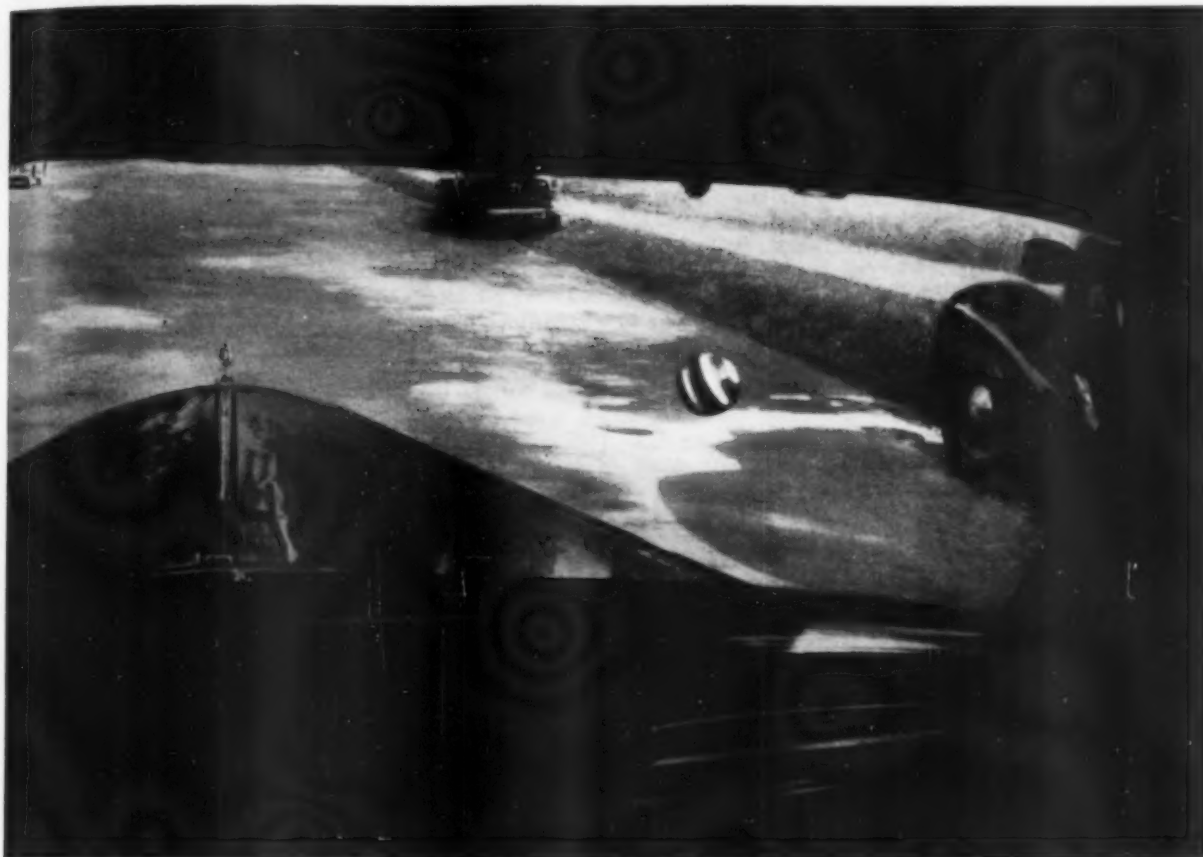
(3) Council of State Governments report to Business Week.

(4) Appropriation Pending.

* Includes industrial promotion fund.

Business Week

"Unforeseen events . . . need not change and shape the course of man's affairs"



THE STAGE IS SET FOR TRAGEDY

In a split second, the curtain will rise . . . a game will end abruptly as a youngster dashes into the street, eyes glued on a bouncing ball. It will be too late for the driver of an oncoming car to jam on his brakes, too late to wrench his wheels aside . . . he is going too fast!

Remember, when *you* are behind the wheel, that at 30 miles an hour, it takes you 100 feet to bring your car to a stop. Remember, too, that most of the responsibility for

accidents involving children must be shouldered by you, for children at play have their mind on the game, their eye on the ball. Keep *your* eyes on the alert.

This year The Maryland will continue the safety educational work it has done for many years, to the end that the annual toll of fatalities from traffic accidents may be lessened. You can help, by driving carefully, especially on city streets. Maryland Casualty Company, Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents are equipped to help you obtain protection against unforeseen events in business, industry and the home.

Arnold Launches New Drive on Oil

Grand jury is empaneled in Los Angeles to hear anti-trust charges against West Coast oil companies. Meanwhile, six cases still hang fire in the Middle West, and marketing practices are probed on East Coast.

FROM all signs and portents, the oil industry is in for that complete going over which Uncle Sam's No. 1 trust-buster, Thurman Arnold, has been talking about. Oil company officials should adjust their schedules accordingly. Plans to go fishing or visit Aunt Maggie should be tentative, admitting the possibility of a call to face a grand jury or sit in a court room listening to the interminable grind of judicial cog wheels.

Mr. Arnold may be advertising his new anti-trust policy as a series of more or less friendly suits which will end in consent decrees establishing the exact extent to which an industry may cooperate for economic advantage, but to the oil industry—facing a barrage of indictments and investigations on the Pacific Coast, in the Middle West, and in the East—the Assistant Attorney General seems to be wielding the same old big stick.

Checking Up in Their Conduct

The big push of the new season got under way in Los Angeles last week when a special federal grand jury was empaneled to review evidence collected by the Department of Justice during the last few months. The West Coast action harks back to before the two famous Madison, Wis., cases (*BW—Aug 8 '36, p.26*). It is a check-up on how well the major companies have been observing a 1930 consent decree, in which they promised to eschew pool-buying of gasoline to sustain prices. Joseph E. Brill and M. S. Huberman, special assistants to the Attorney General, predict that it will be at least three months before action on possible indictments is taken.

Advance government publicity has emphasized the claim that major companies refine and distribute 85% of all gasoline on the coast; that "in 1936 the price of gasoline rose sharply and has since exhibited a stability without precedent in the section;" that the companies "occupy such a predominant position that concerted action to restrict competition may easily place in the hands of a few power to fix monopolistic prices."

In a pre-trial reply, industry officials have pointed out to *BUSINESS WEEK* that the major concerns to which Arnold refers—Standard of California, Union, Tidewater, Associated, Shell, Texas Co., Richfield, Gilmore and General Petroleum—had 77% of the gasoline business in the area while last year this dropped to 73%. Total consumption of gasoline

during the same period increased 32%. While the number of majors in business remained the same, the number of minors increased from 85 to 143. Several large independents have sprung up since 1933. Wilshire Oil Co. for instance, increased gasoline sales 138% in five years.

They further contend that oil company advertising to which Arnold often refers hasn't been able to freeze consumption to certain brands. Recent surveys show that more than half of the coast consumers change brands at least once a year. Since 1928 retail gasoline prices have decreased 22% in Los Angeles and about 19% in three other large Coast cities.

The Justice Department was prodded into going after the oil majors by the National Oil Marketers' Association (independent gasoline wholesalers), and its secretary, Paul E. Hadlick, who is a good man with a political goad (*BW—Aug 21 '37, p.32*). Indictments in the first case charged that the majors conspired to narrow the margin between the wholesale and the retail price, thereby subjecting independent jobbers to a squeeze that threatened to mash them flat. At

Madison the government won what wrestling kids used to call a "dog fall". Numerous defendants pled *nolo contendere*, which translated to curbstone means, "I don't deny it; you've got me". Others were convicted, some freed by the jury. But Judge Patrick J. Stone, who tried both Madison cases and was supposedly hand-picked because of his liberal leanings, irked the government no end by dismissing one group of defendants found guilty by the jury, applying slap-on-the-wrist penalties to others, and allowing still others new trials.

Probes, Trials, Appeals

Much of the present oil turmoil is a hold-over from the Madison trials. In addition to the Pacific Coast skirmish, the cases include:

(1) Trial of defendants in the second Madison case involving the charge that the oil companies entered into commerce-restraining contracts with jobbers. They pled not guilty. Other defendants, who pled *nolo contendere*, probably will be called to testify against their accused comrades on the ground no immunity for such witnesses is now involved. Trial is set for Oct. 2, at Madison.

(2) Grand jury probe, starting at Danville, Ill., June 5, to review the whole works and determine whether or not practices involved in the Madison trials are being continued. Unregenerate wights say one purpose of this expedition is to find out what line the *nolo contendere* group will take when they testify in the preceding case.

(3) Re-trial, at Danville or Madison, of defendants granted new trials by Judge Stone in the first Madison case.

(4) Trial (the date is unspecified) of indicted defendants not tried at Madison.

(5) Pending appeal before U. S. Circuit Court of Appeals at Chicago of defendants found guilty at Madison. Arguments are concluded, decision expected late this summer or early this fall.

(6) Appeal pending before U. S. Supreme Court against Judge Stone's dismissal of defendants found guilty by Madison jury. Judge Stone was sustained by U. S. Circuit Court of Appeals at Chicago.

Mid-West Isn't Only Target

The cases cited involve gasoline marketing in the Mid-West. Other activities prove that the interest of the D-J is nation-wide. In addition to the grand jury probe for the Pacific Coast, gum shoe men for the government have been poking around in East Coast markets, particularly in the Southeast. The latter campaign appears dormant, waiting possibly for other regional investigations to be cleared up.

The sweeping nature of Mr. Arnold's intentions was made evident in his testimony before the congressional subcommittee which held hearings on the

N.A.P.A. Head



Thomas D. Jolly, director of purchases and chief engineer of the Aluminum Co. of America since 1937, last week was elected president of the National Association of Purchasing Agents, at their 24th annual convention in San Francisco.

The man everybody knows



IT IS LITERALLY TRUE that, sometime or other, almost everybody in America has come to know this man.

True, many people have looked upon him at first simply as a man who had something to sell. Some of them have even been annoyed at his persistence...a persistence born of his sincere belief in the value of the services he renders.

But today, increasing millions of people know this man as a friend. They think of him gratefully, as one who has shown them the way to security and greater peace of mind.

Because of this man, many a widowed mother and her children have been able to face the future with confidence and courage, secure in the knowledge that their immediate needs have been provided for...

Because of him, thousands of fatherless boys and girls have been able to obtain an education to fit them for life...

Because of him, many a work-weary man has been able to retire from business, to enjoy the carefree years that lie before him...

Who is this man...this man who has helped so many people in so many different ways?

You have probably guessed. He is your life insurance agent.

COPYRIGHT 1939—METROPOLITAN LIFE INSURANCE CO.

This is Number 14 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be mailed upon request.

Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

Frederick H. Ecker,
CHAIRMAN OF THE BOARD

Leroy A. Lincoln,
PRESIDENT

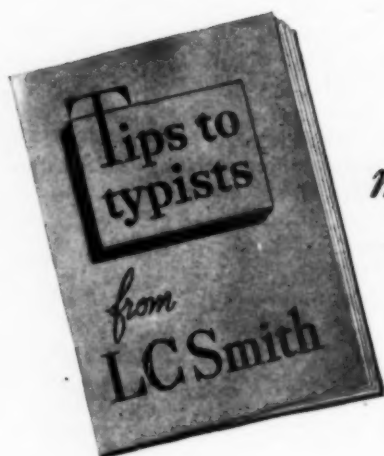
1 MADISON AVENUE, NEW YORK, N. Y.



Plan to visit the Metropolitan's exhibits at the New York World's Fair and at the Golden Gate International Exposition in San Francisco.

Mr. Executive...

your secretary
should find here
many hints
helpful to her...
and to you.



*may we send her
a copy with our
compliments?*

THE NEW *Super-Speed*



LC SMITH

L C SMITH & CORONA TYPEWRITERS INC
Desk 6, 107 Almond Street, Syracuse, N. Y.

Please send a copy of your booklet "Tips to typists"
to my secretary.

Her name is _____

Address _____

City _____ State _____

MANUFACTURERS ALSO OF CORONA PORTABLES—"SPEDLINE" AND "ZEPHYR"

Justice Department's appropriation bill. As reported, the measure provides an increase of \$520,000 for anti-trust activities during the fiscal year beginning July 1. A total of \$1,300,000 was recommended by the committee.

Specific items for the coming drive were submitted. In addition to funds that would be required to prosecute cases resulting from investigations in the Mid-West, Pacific Coast and Southeast, Mr. Arnold proposed to prosecute (a) a case to test the validity of cracking patent pools, and (b) cases designed to divorce marketing and pipeline transportation from other company activities.

The Independents Keep Fighting

The last-mentioned shows that Mr. Hadlick is still in there punching in behalf of his independent gasoline wholesalers. This group has long contended that the huge integrated companies (majors) didn't have to worry much about wholesale and retail prices since they could make their profit on pipeline and refinery operations, hence the ancient cry of the big fellows for gallonage at any cost. Naturally the independents would be better off if they could play one supplier against the other, and revive some good, old-fashioned skull busting competition.

This is the reason why the independent jobbers have opposed government control of hot oil—a restriction on free output. They also heartily endorse the move to separate marketing and pipeline transportation from other branches of the industry.

While preparations for the grand drive were on in Washington, friction naturally developed between rival generals. Sparks have been flying around and they did not come from petting the office cat.

Getting Jump on TNEC

Zero hour for the Danville action is on June 5. The tentative date for petroleum's hearing before Sen. O'Mahoney's Temporary National Economic Committee is June 25. The Danville and West Coast probes certainly will not create any atmosphere of brotherly love when oil men get their "open forum" hearing before Sen. O'Mahoney's investigating committee.

Since last fall Mr. Arnold has had his staff collecting oil industry facts as raw material for a staggering array of charts, graphs, pies and statistical haggis. With these he intended to put on a rip-snorting show when the TNEC got around to oil. In the meantime, however, the O'Mahoney appeasers declared for the cooperative type of hearing which allows an industry to conduct its program pretty much as it pleases. This technique would enable the oil folks to make their own case and toss statistical pie for pie in answer to Mr. Arnold's confections. The trade suspects that Mr. Arnold decided to beat the O'Mahoney group to the gun.

A SPECIAL REPORT TO EXECUTIVES ON—

America's Shifting Purchasing Power

In 1929, the national income was \$79,988,000,000. In 1937, it was 12% lower at \$70,645,000,000. And in between, it got down as low as \$45,782,000,000 (1933). But not all persons and not all states shared the drop and the recovery in quite the same way. The differences, as brought out graphically in this report, are important to those who study markets with an eye to the future.

To the economist, looking for a broad generalization for the period, it might seem that a partial redistribution of income took place—that, *relatively*, the rich got poorer and the poor got richer.

And to the market analyst, looking for bull markets for the sale of merchandise, it might still seem that the best

sales states are the most populous—New York, Pennsylvania, Ohio, and Illinois—because of high per capita incomes.

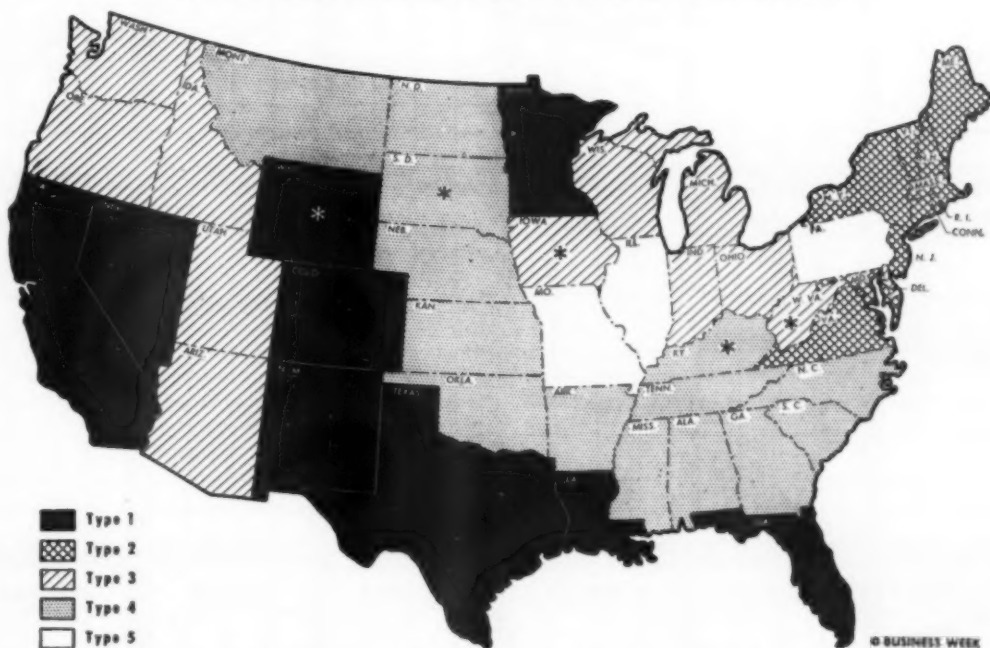
Yet, although those four states accounted for 29% of the nation's population and a much higher proportion of the nation's income (37% in 1937), three of them—Illinois, New York, and Pennsylvania—not only showed a greater decline in per capita income than the national average (table page 24) but also dropped in rank during the period.

Pennsylvania and Illinois are conspicuous for another reason. Along with Missouri, they were the only states which, throughout the nine-year period, realized a more or less steadily decreasing per capita share of the national income.

In other words, during the depression, the income of the average Illinoisan, Pennsylvanian and Missourian declined more than that of the average American, and on recovery did not recover as fast.

Nine other states reversed this performance. California, Colorado, Florida, Louisiana, Minnesota, Nevada, New Mexico, Texas, and perhaps Wyoming, improved their relative per capita income during the depression years and continued (for the most part) to improve during recovery phases.

The inherent suggestion of this showing is that these nine states (Wyoming does not fit too clearly into the pattern) represent good spots in which to push sales—inasmuch as they are in a bull

FIVE PATTERNS OF STATE PURCHASING POWER—
THROUGH THICK TIMES AND THIN

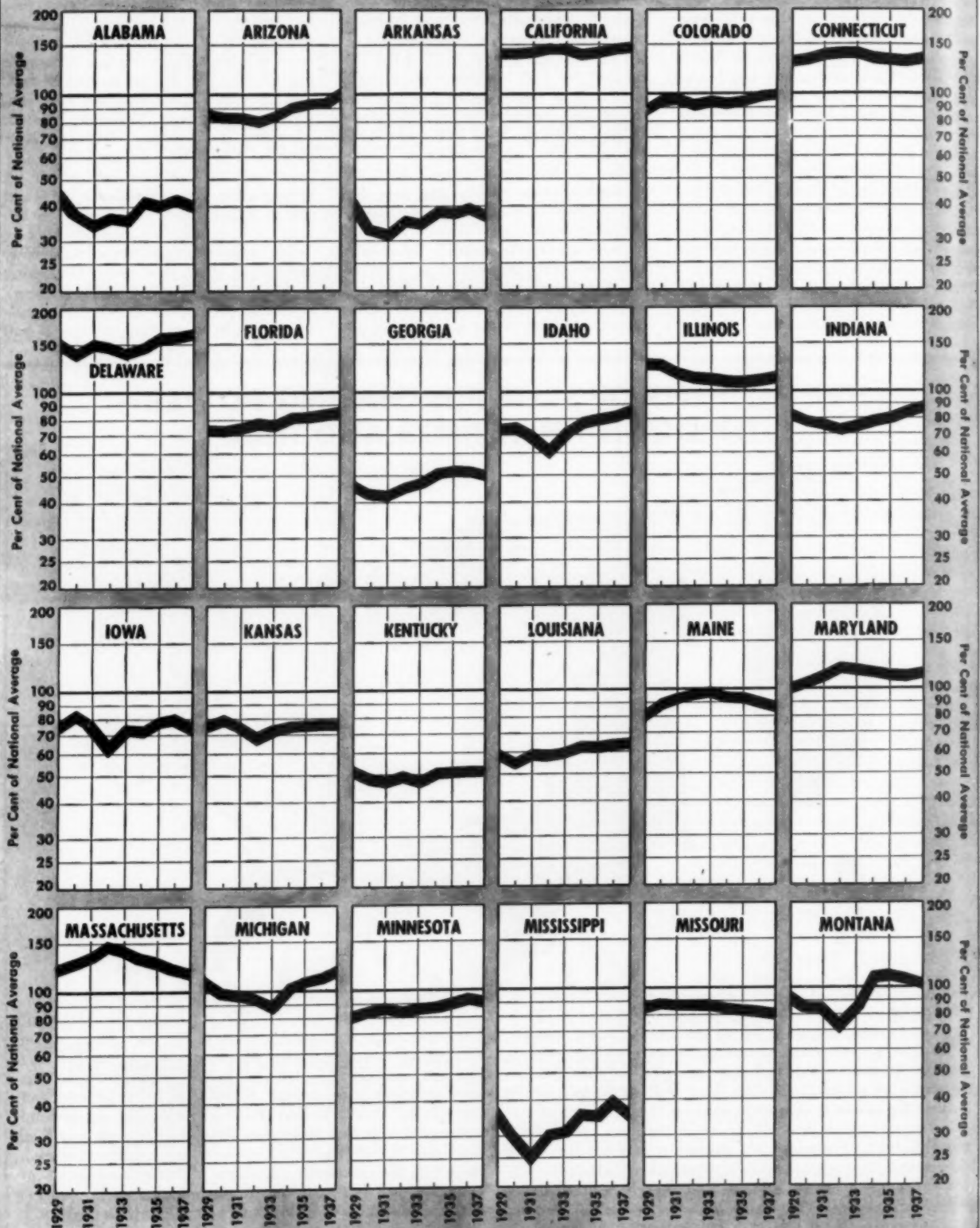
IN THIS MAP, BUSINESS WEEK makes no attempt to offer an absolute measure of state-by-state purchasing power. That type of market analysis is left to the tabulation on page 24, which ranks each state according to total and per capita income. Instead of a quantitative measure, the map and the 48 charts on pages 22-23 show how each state's per capita purchasing power fluctuates in relation to the income of the country as a whole through an entire business cycle—1929 through 1937. Purpose is to uncover underlying trends in each state's buying power—to show whether states are moderately or immoderately affected by the cycle. And so BUSINESS WEEK segregated the states into five patterns (1) nine

states that did better than the country, whose relative income rose fairly steadily; (2) Ten states and the District of Columbia only moderately affected by the cycles, whose relative income rose during depression but declined during recovery. (3) Twelve states more violently affected by the cycle, whose relative income declined during depression and rose during recovery. (4) Fourteen primarily agricultural states that were first violently affected by the cycle and then later moved with the cycle; whose relative income declined, then rose, then steadied. (5) Three states whose relative income dropped fairly steadily throughout the cycle. (Asterisks indicate states which don't fit perfectly into the pattern.)

REDISTRIBUTING THE NATIONAL INCOME —

A comparison of each state's per capita purchasing power with the national average — showing that the

National Average = 100



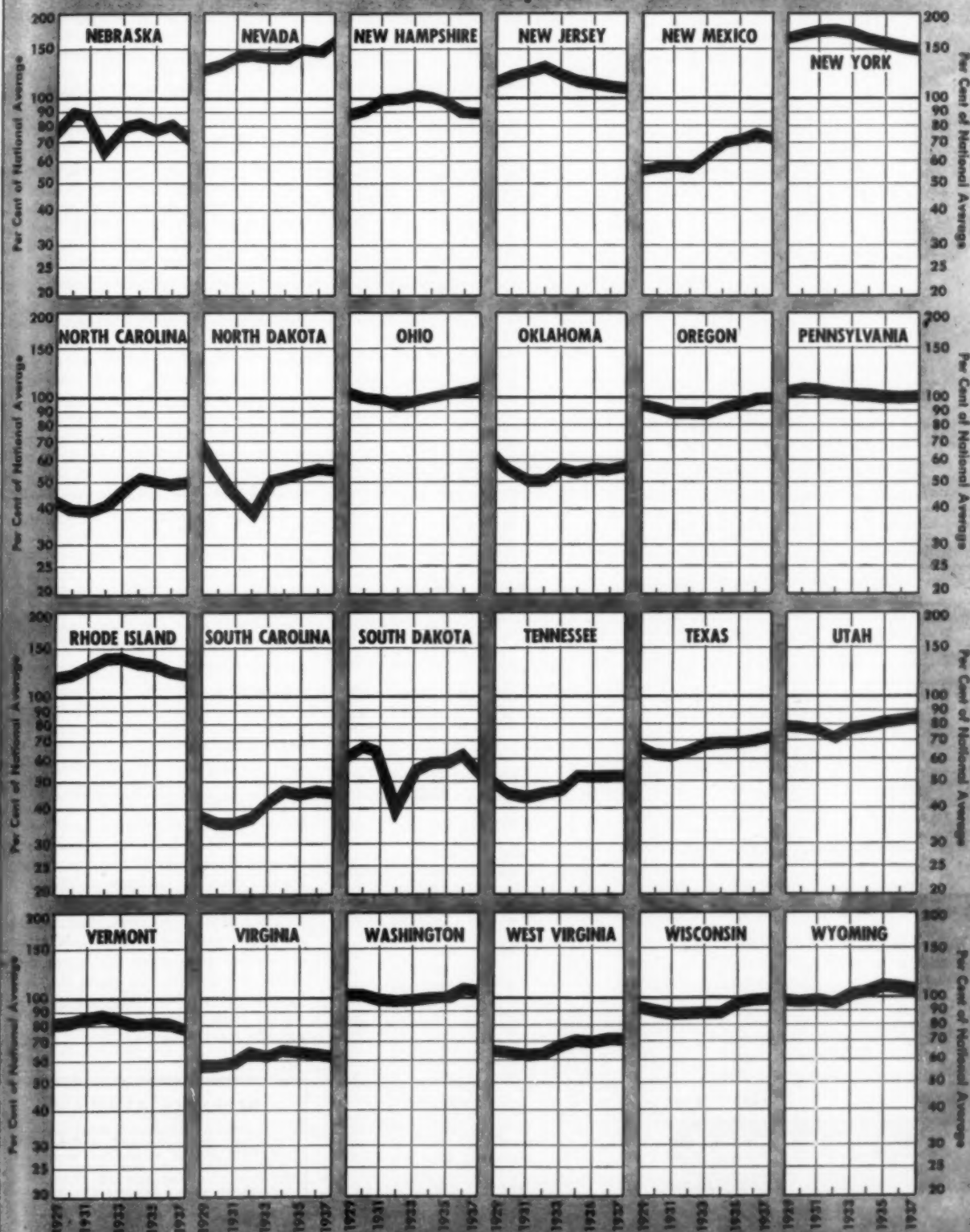
Data: U. S. Department of Commerce

Charts drawn on ratio scale

— STATE BY STATE AND YEAR BY YEAR

poorer states did better in 1937 than in 1929. But the trends, as the charts so obviously reveal, are mixed.

National Average = 100



Charts drawn on ratio scale

© BUSINESS WEEK

A Sales Manager's View of Regional Markets

Since 1929 the national income has dropped 12%. But relative to one another, some states have improved their rank in buying power. Note the South Atlantic or the Mountain States as instances.

States by Regional Groups	Income		Rank		Income		Rank	
	1929	1937	1929	1937	1929	1937	1929	1937
<i>(000,000 omitted)</i>								
New England	\$6,429	\$5,612			\$793	\$653		
Maine.....	445	423	37	36	560	494	26	24
New Hampshire.....	281	257	41	39	607	503	21	23
Vermont.....	203	171	46	47	566	445	24	30
Massachusetts.....	3,504	2,955	7	7	830	668	8	9
Rhode Island.....	552	471	33	34	810	692	9	7
Connecticut.....	1,444	1,335	13	14	908	767	5	6
Middle Atlantic	24,158	19,743			930	719		
New York.....	13,983	11,138	1	1	1,125	859	2	4
New Jersey.....	3,155	2,706	8	8	793	623	10	13
Pennsylvania.....	7,020	5,899	2	2	734	580	12	17
East North Central ..	18,376	15,895			735	615		
Ohio.....	4,671	4,206	5	5	710	625	14	12
Indiana.....	1,803	1,715	12	11	561	494	25	25
Illinois.....	6,502	5,063	3	4	862	643	7	11
Michigan.....	3,537	3,259	6	6	744	675	11	8
Wisconsin.....	1,863	1,652	11	12	639	565	18	21
West North Central ..	7,174	6,139			542	444		
Minnesota.....	1,423	1,382	14	13	558	521	27	22
Iowa.....	1,292	1,090	15	16	524	427	30	32
Missouri.....	2,134	1,839	10	10	591	461	23	29
North Dakota.....	315	223	39	44	465	316	34	40
South Dakota.....	295	217	40	45	428	314	37	41
Nebraska.....	741	578	28	32	540	424	28	33
Kansas.....	974	810	19	24	520	435	31	31
South Atlantic	6,729	7,032			430	407		
Delaware.....	243	241	44	41	1,025	923	3	2
Maryland.....	1,118	1,092	16	15	691	650	15	10
District of Columbia...	628	789	30	26	1,301	1,259	1	1
Virginia.....	955	968	20	19	396	358	40	38
West Virginia.....	764	762	27	28	447	409	36	36
North Carolina.....	919	997	22	18	294	285	46	45
South Carolina.....	452	490	36	33	261	261	48	46
Georgia.....	923	887	21	20	317	288	44	44
Florida.....	727	806	29	25	508	483	32	28
East South Central ..	3,105	2,812			316	262		
Kentucky.....	917	860	23	22	353	295	42	43
Tennessee.....	880	862	24	21	339	298	43	42
Alabama.....	809	671	26	29	308	233	45	47
Mississippi.....	499	419	35	37	250	207	49	49
West South Central ..	4,938	4,580			410	355		
Arkansas.....	515	435	34	35	279	212	47	48
Louisiana.....	829	783	25	27	399	367	39	37
Oklahoma.....	1,007	824	18	23	425	323	38	39
Texas.....	2,587	2,538	9	9	451	411	35	35
Mountain	2,104	2,068			573	545		
Montana.....	340	318	38	38	631	590	19	16
Idaho.....	225	240	45	42	507	486	33	26
Wyoming.....	150	145	48	48	671	616	16	14
Colorado.....	627	608	31	30	609	568	20	20
New Mexico.....	161	176	47	46	383	417	41	34
Arizona.....	253	238	43	43	592	577	22	18
Utah.....	269	251	42	40	533	483	29	27
Nevada.....	79	92	49	49	873	911	6	3
Pacific	6,973	6,757			871	764		
Washington.....	1,099	1,018	17	17	710	614	13	15
Oregon.....	608	586	32	31	646	570	17	19
California.....	5,266	5,153	4	3	955	837	4	5
UNITED STATES ...	79,986	70,638			658	547		

Data: Department of Commerce.

trend relative to the national income. However, it must be noted that on a per capita basis, a state like New Mexico or Louisiana continues to rank quite low. Per capita-wise, New Mexico moved from 41st place to 34th, and Louisiana from 39th to 37th. Obviously, neither New Mexico or Louisiana, despite their relative progress, can compare in purchasing power density with either Illinois, New York, or Pennsylvania, even though Illinois, New York, and Pennsylvania dropped two to five notches in the national per capita ranking.

Must Watch Statistical Step

About the only safe generalization that's warranted, therefore, is that the nine "uprend" states are good states to put sales effort into, if—to use the economist's escape clause—other things are equal. For the fact of the matter is that the data on "State Income Payments, 1929-'37," are pretty tricky to deal with, and the flow of income pays little heed to boundaries. Indeed, the Department of Commerce, in making the statistics available (*BW—May 20/39, p47*), acknowledges important limitations.

Thus the high per capita income of the District of Columbia should be taken with promotional restraint. Since government salaries are paid in Washington, and many recipients live in Virginia or Maryland, the D. C. per capita income figure of \$1,259—highest in the country—is inflated by payments to persons who do not figure as district residents. A similar statistical bias, up or down, occurs in other states with large cities on the border—such as New York, New Jersey, Pennsylvania, Florida.

In analyzing the state income statistics in two maps (one on cover), a series of charts, and a tabulation, *BUSINESS WEEK* has avoided stressing straight quantitative breakdowns—on the theory that relative state-by-state trends are more important than sheer weight of numbers. Quantitatively, it's *prima facie* evident that New York is a bigger market than either California or Minnesota; therefore it's of more value to know California and Minnesota appear to be more depression-resistant than New York. And similarly, it's significant that a large body of farm states (see map, page 21) move pretty much as a group. The rapid rise shown by this group after 1933 undoubtedly is due in part to the Administration's solicitude for the farmer.

REPRINTS AVAILABLE

"AMERICA'S SHIFTING PURCHASING POWER" is the eighteenth of *BUSINESS WEEK'S* special reports to executives. Copies without the map shown on the front cover of this issue will be available in reprint form. Single copies will be mailed to *BUSINESS WEEK* readers upon request without charge. Additional copies will be billed at the rate of 5¢ apiece; quantity-order prices by arrangement.

AGRICULTURE

Congress Rains for the Farmer

Economy hasn't touched the agricultural appropriation crop and it may be increased by further legislation, perhaps by drought relief.

WHEN A CONGRESSMAN gets to Washington at the start of a new session, his constituency seems far away and none too real. But when the summer sun boils down on the Capitol dome and everybody wants to get away, the folks at home seem much nearer. And then the economy plans go a'glimmering.

So it has been at this session with the farm program. Early in the session, when there was brave talk of economy, the House of Representatives put together an agricultural appropriation bill which cut half a billion dollars off the total voted for the fiscal year ending June 30, 1939. The bill was sent over to the Senate, the days and weeks passed, and it came back to the House about \$450,000,000 larger than it had been (see table).

Right now—without allowance for the fact that there are still a lot of agricultural bills kicking around on Capitol Hill which could further boost the outlay—the cost of the farm program in the 1940 fiscal year appears to run to about \$1,383,000,000. The House originally had suggested (none too seriously, perhaps) a figure of \$927,000,000, and the appropriation for the year now drawing to a close was \$1,443,000,000.

Biggest boosts in the Senate involved \$225,000,000 for parity payments (pay-

ments to bring farmers' purchasing power up to at least 75% of the 1910-14 status) and \$113,000,000 additional for removal of surpluses. The only item in the farm budget which has been cut importantly is the appropriation for the Farm Security Administration (formerly Resettlement) which got \$175,000,000 in the current year, is allotted only \$5,000,000 for next year—so far.

Whether there will be any farm legislation passed to alter the spending prospects remains in doubt. The bill which has aroused the most interest is that introduced by Montana's Senator B. K. Wheeler. It's a complicated cousin of the old domestic allotment plan. It contemplates giving the wheat farmer parity income, the flour millers to foot the bill through a disguised processing tax. There's a very fair chance that it will be expanded to cover cotton.

Loans Work Only Too Well

There is support, too, for the elimination of rigid federal storage loans from the present farm law, although no actual steps have so far been taken. The idea is that the loan plan has supported the price of cotton too well. Some 11,300,000 bales have gone into storage as security for government loans. And the United



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CONTROLLED PERFORMANCE

Uncle Sam's Contribution to Farming

JUST now the House of Representatives set out to cut the farm appropriation is shown in the center column of figures below. The appropriation the Senate sent back to the House for the 1939-40 fiscal year is in column one. And the appropriation approved a year ago is in column three.

Fiscal years ending June 30	1940 Senate Bill	1940 House Bill	1939 as Passed
Dept. of Agriculture, ordinary expenditures*	\$335,937,642	\$329,349,547	\$320,065,009
Farm tenancy	56,950,230	31,950,230	32,000,000
Crop insurance	5,923,200	5,423,000	6,000,000
Surplus removal	203,000,000	90,000,000	144,024,893
Parity payments	225,000,000	.....	212,000,000
Benefit payments	499,560,000	429,560,000	500,000,000
Sugar payments	47,975,000	31,975,000	48,000,000
Farm Credit Administration ..	3,700,000	3,600,000	3,750,000
Farm Security Administration ..	5,000,000	5,000,000	175,000,000
Retirement of cotton certificates .....	.....	.....	1,800,000
Total appropriation	\$1,383,046,072	\$926,857,777	\$1,442,639,902

* Includes Bureau of Public Roads, Forest Roads and Trails, Forest Service, and Food and Drug Administration which are not strictly farm functions.



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States' exports, due to the artificially supported price, have fallen to the lowest level in nearly 60 years (*BW—Apr 22 '39, p. 59*).

Before Congress finally packs up and goes home, it may be forced to face the problem of drought relief. There has been a decided shortage of moisture in the wheat-growing sections of the Great Plains recently. The general belief is that the next estimate of winter wheat production (on June 10) will show a material reduction from the 543,900,000 bu. indicated by the last government crop report.

Estimate Forestalls Vote

Moreover, there are scare stories about drought and grasshoppers in the spring wheat states. Where the Department of Agriculture had been talking about a 200,000,000 bu. spring wheat crop if the planted acreage produced a normal yield, Sec. Wallace recently used a figure of 160,000,000 bu.

This estimate proved convenient—whether it is an accurate indication of present condition or not—because it warded off any necessity for asking wheat farmers to vote on marketing quotas. The way the farm law works, the Secre-

tary would have been obliged to ask for such a vote if the prospective supply of wheat for the 1939-40 crop year had totaled 1,021,000,000 bu.

Sec. Wallace said the carryover at the start of the new crop year would be about 270,000,000 bu. The winter wheat crop estimate is 543,900,000 bu., and the Secretary decided on 160,000,000 bu. for spring wheat. This adds up 973,900,000 bu., about 47,000,000 bu. under the marketing quota level. But, as noted, the Secretary scaled down the earlier spring wheat estimates by some 40,000,000 bu., and his carryover figure is a reduction of 5,000,000 bu. from that which had been used a few weeks ago by the Bureau of Agricultural Economics.

While he was at it, the Secretary also set the wheat planting "goal" for the 1940-41 crop year. He fixed this goal (goal means the restriction to which farmers must agree if they want Agricultural Adjustment Administration benefit payments for soil conservation) at 62,000,000 acres. That's 7,000,000 higher than the goal for the 1939-40 crop year. However, while farmers weren't supposed to plant more than 55,000,000 acres for harvest in 1939, they actually seeded some 65,500,000.

Packers' Prospects Brighten

Cattle supply not over-plentiful but hogs recover from droughts and AAA. Pork and lard down; ham never more popular.

NERVOUS READERS of the analysis of Department of Agriculture figures, recently released by the Institute of American Meat Packers, jumped to the conclusion a meat shortage impends. They decided household budgets and packers' profits would presently suffer because the storage stocks of meat on hand were, with two exceptions, the smallest on record.

However, the figures are comparatively unimportant to consumers, for meats in storage never total more than a few days' national supply. Their real significance is that, paradoxically, the less meat in storage the more bountiful the supply under normal conditions. Meat packers, to survive the industry's tough competition, must be masters at the art of pricing to move goods, else they lose sales, perishable product, and then shirts. When they let storage supplies run low they are expecting large marketing of livestock. To avoid inventory losses and to leave storage space for the expected supplies, they price their goods low enough to move them into consumption. Best advice to worriers is to save their anxiety about prices for times when storage stocks run high.

Also to the surprise of most people outside the industry, packers are gen-

erally most prosperous when the price of their product is low and remains stable; unless, as they did a year ago, prices fall so rapidly they have to write off huge inventory losses. At such times the stockman inclines to blame his low prices on packer finagling instead of on supply and demand; may clamor for investigations and indictments. Otherwise the packer is as happy as a tick on a steer, because the big run of livestock that depresses prices keeps his plants working at a high rate of production and gives him low processing costs to tickle his operating profit account. Conversely, when livestock marketings are small and meat prices go up, the plants run short hours, per-pound manufacturing costs tend upward, and consumers are least willing to pay enough to let him get the fractional-cent profit that is his constant aim.

Few Kicks About Supplies

Right now packers are still licking their 1938 wounds. But they have little to complain of about stock supplies, and prospects are still brighter for the future. To be sure, this year's lamb crop is late and in none too good flesh because of drought-dried pastures. Veal is also tem-

porarily scarce. But lamb and veal together provide the packers with only a small fraction of total tonnage. Kings of the killing floor are cattle and hogs.

To put the sad part first, cattle supply is not over-plentiful. Cattle population of the farms went down a few years ago, is on the way up now. Cows produce one calf a year while a sow can easily produce around a dozen piglets, so the cattle cycle moves much more slowly. Today cattle raisers keep their heifers for breeding instead of sending them for slaughter. That makes the cattle supply a little below par but it should come to a pre-1934 peak within a year or two. Beef killers will be busy then and beef eaters well-fed at reasonable prices. Right now beef prices have shown little change for eight or ten months, one of the most stable price periods in the industry's history.

Ordeals Over, More Hogs Offered

The packers are clapping their hands in joy now over the hog supply. Between the droughts of five and three years ago and the first AAA slaughter of brood sows and pigs, hog population sank to new lows. Cheap corn and good pork prices induced farmers to raise more hogs and the major upturn hog marketing is experiencing is expected to continue upward till next year when it ought to reach the pre-'34 normal. Such volume is needed to operate at a profit.

Reflecting this supply, pork prices have declined. Bacon and lard prices are particularly low, though lard has rallied a little from its depression of month before last (*BW*—Apr 8 '39, p. 26). The packers are making fairly successful efforts to step up bacon and lard consumption. Ham consumption gives them no worry, because improved processing puts tender ham on the dinner table that has made the public's mouth water for ham as it never did before.

The packer, who wants a stable price level and sufficient volume for efficient operation of his plants, is now sitting pretty. He has every prospect that he will be sitting prettier next year and probably for a couple of years after that. Two or three years of definitely better profit prospects would be most business men's idea of heaven in June, 1939.

"Chipsteaks"

FROZEN SLICED MEAT is a new product marketed by the Chipsteak Co., Los Angeles, under the trade name "Chipsteaks." Inexpensive cuts of beef are pressed into a mold and frozen, then cured and cut into transparent slices. Six slices pressed together, three with the grain running one way and three running the opposite, form one "Chipsteak." Wrapped in trade-marked, waxed paper and kept under freezing temperatures until sold, "Chipsteaks" are in meat markets and delicatessens on the West Coast, will soon invade the East.



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Typical of 'Incor' performance is loading dock of Mutual Ice & Cold Storage Company, Topeka, Kansas, built with 'Incor' in September, 1928. Inspected recently, 'Incor' concrete is as good as the day it was placed, almost 11 years ago.

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Experts Examine the Wheat Crop



A crop inspection party looks over some wheat growing near Ellsworth, Kansas, and decides it might make a 50% crop. Further west they found drought damage was even more serious. Left to right; Arthur Baum,

marketing expert for Country Gentleman; Dave Lorentz, Shellebarger Mills, Salina, Kan.; Dr. John Parker, director, Kansas Wheat Improvement Assn.; Bernard Snow, Chicago, dean of crop reporters.

U. S. Buys Butter

Purchase of 25,000,000 lbs., added to 90,000,000 already bought, will take up most of surplus for 1938-39.

WHEN people talk about big butter-and-egg men, they can't ignore Uncle Sam these days. He's the biggest butter-and-egger around. He's frequently been in the egg market, and so far in the fiscal year ending next June 30 he has bought 90,000,000 lb. of butter.

The campaign started when it became clear that the country's cows were working overtime. Now that the year is almost ended, the Department of Agriculture reports that the 1938-39 season has seen the largest production of manufactured dairy products in history—about 10% above the average for the previous five years. Under those circumstances, purchase of 90,000,000 lb. of butter took up only about two-thirds of the surplus production.

Therefore, the Department of Agriculture has authorized the Federal Surplus Commodities Corp. to buy an additional 25,000,000 lb. If and when that program is carried out, the surplus removal campaign will have accounted for 115,000,000 lb.—perhaps 5,000,000 lb. short of the total surplus output.

Out of the butter heretofore bought,

some 40,000,000 lb. have been disposed of, largely to families on relief rolls, and 50,000,000 lb. remain in the hands of the federally-financed Dairy Products Marketing Association.

The present buying operation came as a surprise to the trade, because market prices had been going up recently and Uncle Sam usually works in depressed markets. The current rise in price is attributed to the belief that milk production will be under the seasonal expectation due to drought-burned pastures and hay fields in parts of the dairying country.

Wheat vs. Wheat

Six different crop improvement organizations vie with each other and seek better crops.

TO TRADERS in futures, wheat is just plain wheat; but in the great winter wheat belt there are six different crop improvement organizations—all recently organized—each trying to tell the world that the wheat grown in its own particular area is the best wheat in the world.

The ultimate consumer who takes his wheat via bread or breakfast food will never know about the keen rivalry which exists today between the Northwestern Crop Improvement Association (which

includes most of the winter wheat states north of Nebraska, as well as Iowa and Illinois), the Canadian Crop Testing Plan, and the Kansas Wheat Improvement Association—all out after the world's quality-wheat crown.

Becoming Quality-Conscious

The main trouble with winter wheat—both soft and hard—is that there are too many varieties being grown. Every so often someone pops up with a new one which may possess a tremendous appeal to growers—early ripening to escape damage from hot winds, rust-resistant qualities, or, more often, high yield—but in too many cases the breeder overlooks the all-important bread-making qualities. For years state and federal crop experts have tried with little success to prove to wheat farmers that they were losing money by planting unapproved varieties of wheat. But when the crop improvement associations learned of Canada's successful crop-testing plan and put it in operation in several wheat states, participating wheat growers became quality-conscious immediately.

The planners make an appeal to the eye with actual demonstrations. In Kansas the procedure is to obtain a hundred samples of wheat in every wheat county, each sample from a different farm, plant them in a test plot adjacent to a similar planting of certified seed of some standard variety which serves as a comparison. A wheat field day is held at each county plot immediately before harvest, and experts class each sample as A, B or C. Farmers having wheat grading C (badly mixed) are encouraged to obtain A (pure) or B (slightly mixed) for seed, thus improving quality of Kansas wheat and flour.

Besides the Kansas, Canadian, and Northwestern Crop Improvement associations, similar organizations are now operating in Oklahoma, Nebraska, and Indiana. Most are supported jointly by the grain and milling industries.

Short-Cut Gluten Tests

The need for better flour in the baking industry is largely due to the fact that high-speed dough-mixers now almost universally used have a tendency to break down the gluten in flour from weak grain. Many flour mills run actual bread-baking tests on every carload of flour before shipping. However, a short cut is now available through the use of either the Farinograph made in Germany or the Buhler tester (Switzerland), in either of which the physical strength of the gluten from a small sample of flour may be obtained.

The crop associations are trying to reduce the number of varieties of wheat grown. According to Dr. John H. Parker, there are 40 named, distinct varieties of winter wheat now grown on Kansas farms, although six would fill the bill.

MARKETING

ADVERTISING · MERCHANDISING · SELLING

Readers Drop Down Income Scale

Much-debated shift in reports on who reads magazines puts more customers in lower-income groups but makes no significant change in standings.

ONE DAY last week, to the desks of the men who buy white space in magazines for the country's biggest advertisers, came a 26-page memorandum. It was from Dr. Daniel Starch, pioneer market researcher. On its face, it was a straight explanation of changes made in the Starch Consumer Magazine Reports. Between lines, it was an answer to recent stories in the advertising trade press, notably an item in the May 10 issue of the gossip *Media Letter* published by the ubiquitous and impulsive Walter Winchell of advertising, David A. Munro.

Starch's main business is reporting on magazine readership. Dr. George Gallup is generally credited with having blazed the trail in that field when he undertook a survey for *Liberty* in 1931, which covered readership of magazine ads. In February, 1932, Dr. Starch began his continuing study of the effectiveness of individual advertisements in the leading consumer magazines. Field investigators in 33 cities, using the "recognition" method, collect the data. They sit down with magazine readers and thumb through the latest issue; the reader tells the investigator which ads he remembers and how much of each he read. The collected data, presented in the Starch reports, indicate the percentage of readers who saw and read each component part of every ad.

Another research house, L. M. Clark, Inc., now does a similar job, though with a slightly different interviewing technique. Clark investigators do their interviewing with magazine copies in which all company names have been painted out of the ads; they ask interviewees to name the advertisers. Which method is superior is a matter for argument; some agencies subscribe to both services.

Start Asking More Questions

But Starch does another job that is as yet duplicated by nobody. In 1933, he saw that his research on the readership of individual ads could be made to produce a profitable by-product—data on the readership of the magazines themselves. Accordingly, investigators began to ask readers for more information. And Starch began getting out a separate report giving (on a sample basis) the number of readers, their ages, occupations,

and incomes for each magazine surveyed.

These are now known as the Consumer Magazine Reports. They appear once every six months and can be purchased by agencies and the publishers of the 19 magazines covered by the study (only agencies or advertisers can subscribe to the reports on the effectiveness of individual ads). Publishers, who use the readership reports in their selling, pay \$5,000 a year for them. Agencies pay only \$150.

The latest of these reports got into subscribers' hands the first of May. Two things distinguished it from its predecessors. One was that a new basis of computation changed radically the findings for every magazine. The other was that the changes brought a blast of publicity in the trade press that has set the whole research business on its ear.

Touching Off a Volley

First shot, and the one that inspired the others, was fired by David Munro. For a little more than two years Munro has been getting out an uninhibited newsletter of fact and fancy for advertising men called *Space & Time*. Couple of months ago Munro began a *Media Letter* for media men. It was in the latter that Munro, commenting on the Starch changes, questioned the integrity of all research at-a-fee.

Only apparent basis for this sharp language was the fact that Dr. Starch's changes had their genesis, more than a year ago, when four of the biggest publishers—Curtis (*Ladies' Home Journal*), Crowell (*Woman's Home Companion*), Hearst (*Good Housekeeping*), and McCall (*McCall's*)—began looking into them. These four publishers have an organization known as the Periodical Publishers Association. Rumor has it that the P.P.A. was worried over the fact that the Starch reports indicated that the big general magazines reach about as many lady customers as do the women's magazines, besides delivering a lot of men readers.

At any rate, a joint committee was named by the P.P.A. and the American Association of Advertising Agencies to look into the techniques of various research houses. Starch was the first up, and he offered to cooperate. Last July the committee got together with Starch

AMERICAN HAMMERED
PISTON RINGS

Eliminate

Submarine Smoke and Wear



HIGH OUTPUT DIESEL ENGINES used in modern United States Naval submarines present a unique and difficult piston ring problem.



IT IS NECESSARY TO KEEP WEAR to a minimum and, for military reasons, to eliminate smoke entirely.



KOPPERS ENGINEERS, working with the United States Navy, solved this problem and developed American Hammered Piston Rings which permit absolutely no smoke, and reduce wear.

LET KOPPERS SOLVE *your*
PROBLEMS

If you have a problem involving any of the following products, Koppers may have the solution: Coal and Coke, Coal Preparation Systems, Coke and Gas Plants, Purification and Recovery Equipment, Boiler and Industrial Electric Power Stations, Industrial Chemicals, Creosote, Municipal Incinerators, Castings, Special Machinery, Valves, Pipe and Platemwork, D-H-S Bronze, Fast's Couplings, Materials-handling Systems, Pressure-treated Timber Products, Tarmac Road Tars, Roofing, Waterproofing, Bituminous-base Paints, Ships, Barges.

Koppers Company, Pittsburgh, Pa.

K O P P E R S

and two of his associates. Out of that meeting came the changes, two of which have caused all the controversy.

For lack of better figures, Starch has always plotted his own income groupings on the basis of the interviews of his field investigators. Because of the difficulty of reaching regularly people at the top and bottom of the income ladder, the findings have been admittedly heavy in the middle. The joint committee pointed out that the income groups established by the federal government's National Resources Committee were now available, and Starch agreed to adopt them.

More in Under-\$1,000 Group

The net result is that the circulation of magazines is shown to be heavier in the lower income groups than previously reported. The *Saturday Evening Post*, for example, now finds 10.5% of its readership in the under-\$1,000 group, whereas the last previous report showed only 4% of the *Post's* readership in that class.

Likewise, in past reports, Starch has utilized census figures in estimating the number of adults per family. At the joint committee's suggestion, he now has had his investigators find out for themselves just how many readers there are in each family. Surprisingly, the total readership of the magazines is raised. *Liberty*, for example, went from 2.17 readers per copy to 2.43, *Cosmopolitan* from 1.85 to 2.21, *Look* from 2.30 to 2.62.

In actuality, these two changes are more apparent than significant. Starch has always maintained that his reports should be used as measures of the relative standings of various magazines, not as absolute measures of individual publications. And, since the projection base has been changed equally for all magazines, there are no significant shifts in the relative standings.

Reaction of Space Buyers

And, by this week, it seemed clear that agency space buyers are, for the most part, ready to accept the Starch explanations for the changes. They've never considered the Starch reports as perfect, and don't now; but, if anything, they think the changes make for a more accurate picture. The hints that the shifts were the result of undue publisher pressure are shrugged off with the remark that, if so, the publishers bit their own noses by getting a new base that lowers the income of their readers.

Starch denies published hints that the reports have lost subscribers; says, in fact, that they've never had as many subscribers as for this last report. Likewise MacFadden says that it isn't true that it has quit using them.

Meantime, on his own hook, Starch is laying plans for a survey of the readership of ads in the June issue of an industrial paper—a one-time shot that may portend a continuous service in the trade paper field.

Worry Over Credit

Utilities allow five years on refrigerators. Credit men fear such liberality.

THE instalment credit industry this week was at another of its periodic crossroads. Ever since early in 1937, sales finance companies and department stores have been tightening up on credit, but in a rush for summer business two major public utility companies have opened up the easy-terms valve again.

Both the Philadelphia Electric Co. and the Consolidated Edison Co. of New York are allowing up to five years to pay for an electric refrigerator, with down payments as low as \$2 in Philadelphia and \$5 in New York. New York department stores have similarly slackened terms in order to compete for sales.

The terms, almost as liberal as the most generous ever offered (see table), set credit men at the recent convention of the credit management division of the National Retail Dry Goods Association in Cleveland wondering whether the retail business would go into another wave of competition for business by "selling terms, not merchandise."

Last year, the average terms granted on refrigerators by department stores ran but 2 years, with the most liberal running to 3 years (see table). Credit men feel that the statistical odds are against them if they have to compete for sales through long credit terms. A survey by a leading finance company showed

that electric appliance repossession on transactions running over 24 months were 289% more than on those 12 months or less.

Meanwhile, the big sales finance companies like Commercial Investment Trust, Commercial Credit, and General Motors Acceptance Corp. were sticking close to established instalment terms.

Cloak Discount Fight

Stores force manufacturers to retreat from effort to cut rate.

LAST WEEK the National Coat and Suit Industry Recovery Board, arbiter of the cloak trade, asked its members to cut to 6% the 22-year-old uniform 8% discount from list price allowed retail buyers.

Meanwhile the National Retail Dry Goods Association (department stores) was also holding its annual meeting. When it received the news, its members, led by Irwin D. Wolf of Kaufmann's, Pittsburgh, and Maurice Spector, president of the Blum Store, Philadelphia, squared off for hostilities. War threatened between producer and retailer.

Behind the Recovery Board's move was a basic affliction of the cloak industry—small producers, inadequately financed, and forced to make quick sales, were unable to earn money. Last year 121 members of the Recovery Board failed, and 117 of the failures did a gross business of less than \$250,000 each. Increased costs of the past few years, without the benefit of mass production, have sent the mor-

Terms Were Tightening Up in Instalment Credit . . .

Type of Goods	Typical Department Store Terms				Liberal Department Store Terms			
	1936		1938		1936		1938	
	Down Payment	Months to Pay	Down Payment	Months to Pay	Down Payment	Months to Pay	Down Payment	Months to Pay
Refrigerators.....	None	36	10%	24	None	60	None	36
Radios, phonographs.....	10%	12	10%	12	None	24	None	24
Stoves (electric and other).....	10%	12	10%	18	None	60	None	36
Other kitchen equipment.....	10%	12	10%	12	None	36	\$1	24
Laundrying equipment.....	10%	12	10%	12	None	36	None	36
Plumbing supplies.....	10%	12	10%	18	None	30	10%	24
Oil burners.....	10%	36	10%	36	None	36	None	36
Vacuum cleaners.....	5%	18	10%	18	None	24	None	24
Sewing machines.....	\$3	18	10%	18	None	36	None	30
Furniture.....	10%	12	10%	12	None	36	None	24
Floor coverings.....	10%	12	10%	12	None	36	None	24
Draperies.....	10%	12	10%	12	None	36	None	24
House furnishings.....	10%	12	10%	12	None	36	None	24
Blankets, etc.....	10%	6	10%	6	None	24	None	24
Men's coats, suits.....	20%	3	20%	3	None	24	None	10
Expensive fur coats.....	10%	10	10%	12	\$8	15	None	18
Women's cloth & fur-trimmed coats.....	10%	6	20%	6	8%	12	None	12
Women's dresses.....	25%	3	20%	3	None	10	None	10
Children's apparel.....	25%	3	20%	3	None	10	None	10
Sporting goods.....	20%	6	10%	6	None	15	None	12
General merchandise; low priced items.....	25%	3	20%	6	None	12	None	12

Data: National Retail Dry Goods Association.

tality rate in an ordinarily unstable trade even higher.

The Recovery Board contended that the 2% saving was usually the difference between profit and loss for its members. But when the N.R.D.G.A. protested, manufacturers in the cloak trade began to backtrack swiftly. They had attacked the discount rate at just the time when they were in the poorest position to back their action. With the fall season coming on, there were large inventories which had to be moved, and many had sent their salesmen on the road to sell at the 8% rate. Producers feared a return of the old days when business was a cat-and-dog fight with the retailer. So the board planned to drop the discount change.

Trade Launches Its Struggle

In 1917, when the manufacturers decided to adopt the present uniform 8% discount rate, they were met by a buyers' strike that lasted for six weeks. Before that time, big metropolitan stores often asked for discounts in excess of 15% and got them. By and large, their demands took the form of 10% from list price, 5% for volume purchases, and another 2% advertising allowance to cover the cost of printing catalogues for distribution to the consumer.

In the summer of 1917 the leading trade association in the field at that time, the Coat and Suit Manufacturers Protective Association, met in a stormy session and went on record for net terms. The change took effect one month later. Thereupon, retail buyers refused to purchase except from independent manufacturers outside the association.

At that time the late Franklin Simon was a dominant figure in the country's department stores. He listened to the arguments of the cloak trade and was impressed. So a joint meeting of manufacturers and retailers was arranged, and they agreed on the 8% uniform discount—fully two decades before the enactment of the Robinson-Patman Fair Trade law. Producers felt they had won the struggle. One of the evils of cut-throat competition had been eliminated. But the cloak trade has always feared another costly struggle, and for that reason most of the trade has for years resisted the demands of some of the manufacturers for a change in the discount rate.

No Unanimous Bloc on Issue

One of the duties of the Recovery Board is to see that its members adhere to the standard 8%. The board is one of the few NRA code authorities that have managed to continue as voluntary organizations. It investigates companies violating its fair trade standards, and its by-laws empower it to fine the offenders.

But it lacks unanimity of opinion behind it on the discount question. Two



JOHN COOPERSMITH tilted back his swivel chair and watched the painter's brush form the magic words *Assistant Sales Manager* on his office door. The brilliant sunshine, slanting through the window and making a bright patch on the floor, caught his eye.

He smiled. But he was thinking of neither his new office nor the weather. "I got the job," he murmured, "—thanks to a Statler porter!"

It had all come about this way. He arrived in St. Louis one morning and, as usual, his bulky sample trunks came direct to The Statler. After a leisurely breakfast, he called his favorite porter to help set up the sample display.

"Hello, Deagan," he cheerily greeted his uniformed assistant. "How've you been since my last trip?"

"Just fine, thank you, sir, and I'm glad to see you back. But I didn't expect you this week."

"And why not this week?"

"Well, it's this way, sir," the porter answered. "I don't know that you'll get many buyers over to see your samples because all the stores are having their big anniversary sales."

Things happened quickly after that.

In a letter we received sometime later, John wrote: "... so I went right on to my other cities and did some

excellent business and later returned to St. Louis and the Statler. As a result, I was made Assistant Sales Manager because, as the President said: 'Mr. Coopersmith thus demonstrated that he could think for himself and adjust himself quickly to changed conditions.'

"But I know that I owe it all to Deagan, the Statler porter. *Everyone* in The Statler—bellmen, cashier, room clerk, assistant manager—seemed to take a personal interest in helping me catch the noon train. When I asked for my bill, I was informed that there was no charge for the room since I could not use it and was not staying. Now, that's what I call looking out for your customer's welfare."

We were pleased to get that letter, and to learn of John's promotion. Because, you see, looking out for our guests' welfare is our idea of the right way to be successful in the hotel business.

We believe in finding out what our guests want in hotel service. And we find out by asking them—that's what Statler Research Executives have been doing for 25 years. That's why our kitchens cook in small quantities. That's why we designed the special mattresses on our beds. That's how floor clerk service and a host of other things, originated by Statler, had their beginning.

In fact, that's why experienced travelers advise—

Stay
HOTELS STATLER

BOSTON \$3.50 • BUFFALO \$3.00 • CLEVELAND \$3.00

DETROIT \$3.00 • ST. LOUIS \$2.50

HOTEL PENNSYLVANIA (\$3.50) • NEW YORK
STATLER OPERATED

GOOD NEWS

FOR USERS OF
BURROUGHS
TYPEWRITER COMPUTING
MACHINES

Here's a speed team—the Burroughs machine with its mechanical advantages, and Rediform Continuous Interleaved Forms with their *one-time* carbons. Any number of separately written forms may be combined into one time-and-labor-saving set of continuous forms.

FREE! New bulletin BW-541 shows how Rediform Business Forms and Approved Methods can benefit you. Write nearest address below.



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AMERICAN SALES BOOK CO., INC.

Pacific Manifold Book Co. Inc., Emeryville, Cal.
Cosby-Wirth Manifold Book Co., Minneapolis, Minn.
Burt Business Forms, Limited, Toronto, Ontario.

New

STREAMLINED 20TH CENTURY

...Air Conditioned
...All Private Rooms
...New York-Chicago
16 Hours

Daylight Saving Time

Lv. Grand Central . . . 6:00 P. M.
Ar. Chicago 9:00 A. M.
Lv. Chicago 4:00 P. M.
Ar. Grand Central . . . 9:00 A. M.

More than ever, it pays to
Ride the "Century"

NEW YORK
CENTRAL
SYSTEM

THE WATER LEVEL ROUTE
...YOU CAN SLEEP

Diesel River Boat



The Edwin H. Renwick, newest diesel river boat of the pusher type, for handling barges, launched last month by the Manitowoc (Wis.) Ship Building Co., went into operation last week for the Marine Transit Co. on the Chicago-St. Louis run.

A 100-foot steel vessel, it has two 300-h.p. Kahlenberg engines, a top speed of 12 m.p.h. The pilot house is mounted on hydraulic lifts—powered by two Caterpillar diesel-electric engines—can be raised or lowered to clear river bridges.

months ago it took a poll of the 91% of the industry which composes its membership. Only two-thirds replied, and of these 66% were in favor of a reduction in the discount rate. Thereupon the board attempted to effect such a reduction, only to be met by the powerful resistance of retailers.

Two-Price Cleaning

Grade B service succeeds in meeting cheap competition, while saving Grade A profits.

WHEN BETTER—or worse—price wars are waged, dry cleaners will undoubtedly do the waging. Probably there is not a city in the nation but what has witnessed a fight to the finish in which rival cleaners practically gave away their services because, as they explain, "if the other fellow can do it, so can I." This spring, however, in a dozen or more Southern and Midwestern cities, a new plan of merchandising is being tried out by cleaners who report it is satisfactory to everyone concerned except the price-cutters. It is a two-price plan which is now being recommended as a preventive as well as a cure for price-cutting.

The operation of the two-price plan (some localities have even gone to a three-price plan) as now being offered to the buying public in Dallas, St. Louis,

Omaha, Topeka, and St. Paul, permits dry cleaners to maintain their regular scale of prices for first-grade service, as well as a low-price service, usually advertised as Economy, Thrifty, or Standard, at from 25¢ to 50¢ less per unit (suit or dress). To keep the price cutters or would-be cutters worried, there is nothing permanent about the level of the second-grade service. This week it may be 50¢; next week 19¢, and the week after, 33¢, three for a dollar.

Cleaners who have not tried the two-price plan can hardly believe that, after the first few weeks of offering economy cleaning, volume of the de luxe service comes back to normal and economy sales fall off sharply. Reports from leading cleaners in the cities mentioned above indicate that upon first announcement of the two-price plan, dollar sales for the two services were about alike. Six weeks later the proportion was from 75% to 90% deluxe service.

Where They Save

Although they do not advertise the fact, most cleaners are giving all garments the same kind of immersion cleaning; while it would cost some too much to run separate loads through the cleaning departments, on the other hand, those who have made a success operating under the two-price plan insist that a good cleaning job is essential. Where they cut down on expenses is in finish-

ing, packaging and delivery. Only plain dresses are accepted by most cleaners selling economy service; no do-overs, little or no hand-finishing, no one-day service. In fact, the proper sales approach for merchandising economy cleaning is definitely negative. That's what keeps the proportion of it down.

While the multiple price idea was discussed at an annual convention of the National Dyers and Cleaners six years ago, it wasn't till this spring that prominent members of the allied trades came out openly to recommend the idea as a permanent institution. Foremost among the allies in promoting the two-price plan is Emery Industries, Cincinnati, which controls the nationally advertised Sanitone dry cleaning process. In a bulletin sent to all Sanitone licensees last month, the Emery people come right out and say "that it should become an integral part of every Sanitone user's merchandising program in all seasons and at all times."

MARKETING ANGLES

Getting Set for War

A FEATURE ATTRACTION at the annual convention of the Advertising Federation of America, to be held June 18-22 in New York, will be a luncheon meeting June 20 at the Waldorf-Astoria to which leading industrialists as well as advertising men are being invited. Louis Johnson, Assistant Secretary of War, and Allan Brown, director of public relations of the Bakelite Corp. will speak on the general theme of "Industrial Preparedness—For Peace, For Security." The luncheon is sponsored jointly by the Advertising Federation of America, National Industrial Advertisers Association, Associated Business Papers, Inc., American Engineering Council, National Conference of Business Paper Editors, American Conference on National Defense, and Sales Executives Club of New York.

Candy Losses and Profits

THE DEPARTMENT OF COMMERCE's annual survey of the candy business, "Confectionery Production and Distribution," shows an interesting shift in the method of distributing the two billion pounds of candy turned out by manufacturers. Last year, for the first time since 1931, sales to wholesalers showed a loss—which was picked up by direct sales to retailers and by direct sales to consumers through company stores and by mail.

U. S. Study of Distribution

FOR THE FIRST TIME since the economy act of 1932, the Department of Commerce is undertaking a field study of distribution. The study, which is being made in cooperation with the United States Wholesale Grocers' Association, involves a field investigation of the effi-



Edison salutes the Office Manager

Recognize the office manager for his achievements. Reward him for his loyalty. He does a grand job. He is the originator of efficiencies and the wall shutting off a thousand petty annoyances! With the ever-increasing complexities of business, he becomes even more the key to progressive management.

He it was who first persuaded the head man to buy a typewriter over protests that it was just a rattletrap contraption. And as for having a young woman operate it, they said her place was in the home! He it was who pointed out that the telephone was modern and not just new-fangled. He cured the bookkeeper of writer's

cramp—introduced the adding machine. Yes, and it was he who brought Ediphone Voice Writing into business use, freeing dictator and secretary from the chains of the old dictation methods.

The office manager is the man in the middle. He gets problems from above and below—and solves them all. The Laboratories of Thomas A. Edison, Inc., where Ediphone Voice Writing was invented, are grateful to the often under-appreciated office manager for his invaluable aid to the entire office equipment industry.

Phone the Ediphone (your city) or write to Dept. B6, Thomas A. Edison, Inc., West Orange, N. J. In Canada, Thomas A. Edison of Canada, Ltd., 610 Bay Street, Toronto.

SAY IT TO THE

Ediphone

EDISON VOICEWRITER



ciency with which various wholesaling functions are being performed. Particular attention will be paid to warehouse layouts and the handling of work in the offices of wholesale grocers. And, while the studies will be made only in wholesale grocery establishments, the department feels that the results will be of value to wholesalers in other lines.

"Minute Movie" Merger

GENERAL SCREEN ADVERTISING and Screen Broadcasts, the two national distributors of advertising "minute movies," are talking merger. There have been rumors of a get-together for a couple of years; always before negotiations have fallen through, but this time they'll probably make a go of it.

Leveling Out Beer Sales

BEER SALES IN SUMMER are about double those in winter, which puts a peak on demand, making it hard for some brewers to supply distributors in summer. About three years ago Anheuser-Busch, Inc., found itself in this condition and decided to do something about it. With a desire to fill the winter valley, and with the argument that the weather took care of summer sales, Anheuser-Busch ceased all beer advertising in the summer and put out an aggressive sales and advertising campaign about Sept. 1 that carried to June 1. Winter sales have increased over the three years, as have summer sales, and a very large part of the gain is in packaged goods through other outlets than saloons.

LABOR & MANAGEMENT

INDUSTRIAL RELATIONS • PERSONNEL • EXECUTIVE POLICY

Milwaukee Unions Buy Daily Paper

Post is sold to A.F.L. organizations which promise to publish a liberal, not a labor, paper. They face a tough job keeping it alive.

WHAT MAY PROVE a partial answer to the steady shrinkage in number of daily newspapers, and the consequent shrinkage in newspaper employment, is seen in the acquisition of the Milwaukee *Evening Post* by American Federation of Labor unions.

The paper has had a long, up-and-down career. Before the World War, it was the *Leader*, and it made money as Victor Berger's Socialist organ. But it refused to approve America's entrance into the war, and so it was barred from the mails, it lost national circulation, and for several years it was kept alive by loans, donations, and such cash transfusions as could be wangled from the party, unions and union men, and sympathetic organizations. About a year ago three ambitious newspapermen from Hearst's healthy *Morning Sentinel* bought the *Leader* for a shoestring, changed its

name to *New Leader*, and tried to shake off the Socialist label. Last January, when Hearst's *Evening News* was discontinued, the *New Leader's* name was changed to the *Post*, in a further effort to shake off its old identity and to snare some of the *News* circulation. And soon the unions began feeding in a little money to keep the paper breathing.

Now it is running under open union ownership. The Milwaukee Federated Trades Council reputedly has put \$11,000 into the pot to keep things running. Union leaders are asking from the 200-odd local A.F.L. organizations \$100,000 by fall, \$150,000 all told.

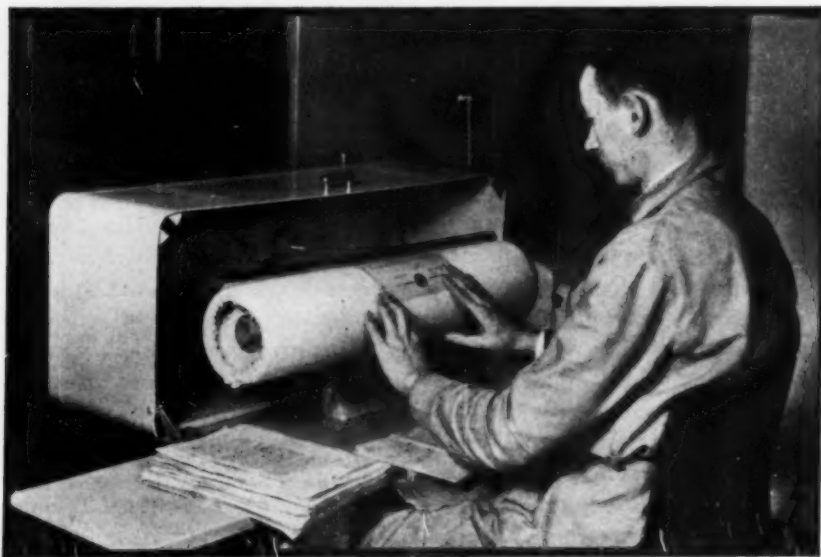
President of the paper is now August L. Guis of the typographical union. A realist about the newspaper business, he admits that the *Post* has been a poor paper. He knows it must be transformed into a paper that readers will want, that this will take time and money. The staff were already members of the A.F.L. News Writers Union. Guis' fellow directors are officers of the Council and of brewery workers', truck drivers', metal trades', building trades', and pressmen's unions. They announced in advance that they intended to publish neither an A.F.L. paper nor a trade union paper but one of liberal outlook, political independence, general reader interest for Milwaukee's traditionally liberal population.

Wait and See, Scoffers Say

They say they will give everybody a fair deal, including the Congress of Industrial Organizations, and turn out a paper that will produce dividends for union treasuries. C.I.O. officials scoff at these professions of brotherly love, say that what it nets down to is the A.F.L. now has its own daily and if you believe the promises read the editorials for a few days and see if you still believe them. They also call it a reckless move that will probably lose a lot of union money.

Although the other Milwaukee dailies declare they can trace only a handful of stop orders to union readers, the A.F.L. unions have been accused of telling members they must subscribe, or else. Pres. Guis says he's agin such tactics, for if a union man chucks the *Post* into the stove unread, advertisers won't stay

Cleaning, Pressing and Repairing



The National Archives in Washington, D. C. don't sound like a particularly hot sales-prospect for household electric irons, but to date the Archives have bought 58 rotary-type irons from General Electric, which

are kept in use steadily (above) to dry out wet documents, smooth out wrinkles, restore fading ink. This odd market for electric irons first cropped up after the 1937 floods in the Ohio Valley.

with the *Post*. But the new ownership is for putting on enough pressure so that the rank and file will recognize that they have a good paper—when eventually they have a good paper. And the union leaders hope that by making a success of this first daily of union ownership, they will develop a pattern that union men elsewhere can follow to assure themselves a liberal daily in each city where a paper would otherwise fold—not to mention keeping good union men working in their rightful jobs.

Anyhow, declare the new owners, it will be fun running the Milwaukee *Evening Post*. If it pays out, everything will be hot with their members. If, as a good many friendly but dubious local observers are betting, they don't revive the battered old sheet to a paying basis—well, it takes a whale of a lot of fun to make \$150,000 worth.

Wage-Hour Struggle

Southern cotton manufacturers threaten to sue if Andrews doesn't back down.

TEXTILE WAGE-RATES again were the No. 1 problem of the federal wage-hour division this week, with quite a rebellion forming in the offing among Southern cotton manufacturers who do not like the way things are tending. But Administrator Elmer Andrews was pushing right along with plans for final hearings on industrial committee recommendations, and indications were that the long-awaited administrative orders would come down sometime in July.

A formal report from the textile committee went to Andrews on May 22, supporting the previous recommendation of a 32½¢ basic hourly wage. At the same time, a 34-page minority report went in, protesting the rate and asking that the whole thing be referred back to committee. Back of these objections is the threat of a court challenge by Southern cotton manufacturers if the committee recommendation is sustained after hearings, which begin on textiles in Washington on June 19, and in Atlanta on June 26. Hearings on hosiery also have been scheduled, for June 12 in Washington.

Objections from Wool Men, Too

Meanwhile another problem arises for Andrews in wool, where a number of manufacturers are objecting to his redefinition of the cotton-silk-rayon industry to include goods containing up to 25% wool, and yarn containing up to 45% wool. There seems to be some chance that the wool men, like the cotton men in the South, may decide to sue the wage-hour division.

Observers who are following closely these indications of antagonism do not feel, despite all the talk current in Wash-

ington, that the Wage-Hour Law has lost much support. Andrews and his staff are pleased by their reception throughout the country, and will try to satisfy as many people as possible. And, although there have been numerous requests that the Administration postpone the 32½¢ wage order in textiles until next October, when by law the wage jumps from 25¢ to 30¢ anyway, Andrews asserts that the statute does not authorize any unnecessary delay and probably will put the order through as soon as he can after the hearings.

The Administrator has an open mind, he told BUSINESS WEEK as hearings ap-

proached, and is not going to make his decision in advance. And although the opinion persists in Washington that Andrews can be persuaded to hand the recommendations back to the committee, the value of such opinion is easy to overestimate. If Andrews did turn the question back to a new committee (as



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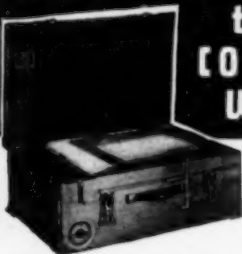


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Spray-Painting on the Assembly Floor



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sucks paint fumes down through a 7 x 12-ft. grating before they can bother operatives in any way. Paint solids are caught by chemically treated water below the floor.

the law allows him to do if he is not satisfied), the revised group probably would be expected to compromise by setting up classifications among textile workers, some of whom would be paid the statutory minimum of 25¢ an hour—or 30¢ if it took until October to get action—and others would be paid a bit more.

All this, however, is pure speculation. While the cotton hearings are awaited, the wool situation is even further from settlement. The committee in that field hasn't put its formal recommendation in as yet, and is not expected to do so until the textile and hosiery hearings are ended. But because the textile industry naturally overlaps the wool business (and also overlaps it officially, by the Administrator's definition order) and because the wool men are thereby interested parties, it is assumed that their briefs and opinions also will play a part in the forthcoming textile debate.

"Boss Union" Reports

Employers' Council of San Francisco tells how it has dealt with labor.

WHEN SAN FRANCISCO employers organized the Employers' Council last fall to test effectiveness of the "employers' union" idea, the pioneer move got nationwide attention (BW—Dec 10 '38, p. 34). Industries represented by the council grew to include a cross-section of the

city's industrial and commercial life, especially building and construction, packing and warehousing, both wholesale and retail distribution, and transportation.

This week Almon E. Roth, president, issued a report on the first 59 days of operation (from Feb. 20 to April 30). He revealed that the council has: (1) served 833 business firms employing 36,318 persons; (2) steered 35 establishments employing 1,700 persons into arbitration of union demands when negotiations had broken down; (3) handled 40 negotiations of collective bargaining agreements in behalf of 300 firms; (4) adjusted complaints against employers and unions for 15 firms employing 599 workers; (5) given special services in statistical information to 331 companies and counsel in labor relations to 156 firms.

Council Wards Off Strikes

During the same period labor unions called only seven strikes, most lasting from only two to five days.

Pres. Roth reports 53 potential strikes averted by the council through negotiation, adjustment, and arbitration of demands through the organization's activities, as compared with the total of seven strikes occurring since the council began operating.

Several strikes were settled by the council, notably the 8½-month action against the Kress and Newberry stores which was called last August, two months before the council was organized.

More Curbs on Labor

Pennsylvania enacts bill restricting unions, but Illinois rejects similar measure.

THE STATE OF PENNSYLVANIA this week followed the trend toward more rigid restriction of labor union activities—a trend which first became marked in Oregon with a controversial anti-picketing law (BW—Nov 19'38, p24), and which has accounted for similar action in Wisconsin and Minnesota (BW—May 6'39, p20). This week the Pennsylvania legislature adjourned after passing a labor-curbing measure, but the Illinois Senate killed a bill of essentially the same import.

The Pennsylvania law replaces parts of that state's "little Wagner Act" which was one of five such measures passed by as many states following the enactment of the federal Labor Relations Law. Outstanding in the new code are the outlawing of sitdown strikes, the granting of permission to employers to petition the state labor board for collective-bargaining elections among employees, and rules forbidding the use of the "check-off" of union dues from paychecks unless a majority of employees authorize it and each checked-off man gives written per-

mission. Wider injunction powers also were included, for courts to use if employers were "coerced."

Although the new law raised a storm of protest from organized labor, neutral observers felt that it was moderate in comparison with Oregon's law and other statutes resulting from the swing of sentiment against labor. The check-off regulations are not entirely new, as the worker's permission has been required by Pennsylvania law for some time. Opposition is certain to come from industrial unions, however, because the new law not only declares that craft groups within a large body of employees can choose their own forms for collective bargaining, but also gives the state secretary of labor and industry the right to veto anything the state labor board does. The present secretary is Lewis G. Hines, a staunch craft-union man.

Pushed by Farmers, Merchants

Meanwhile, a legislative battle was concluded in Illinois, where labor groups managed to stop the Lantz bill, which was backed by organized farmers and merchants. This measure was patterned after the Wisconsin and Minnesota laws, and would require 10-day notice of intention to strike, would prohibit secondary picketing and union boycotts, would bar picketing altogether unless the labor group could show that a majority of workers were allied in the dispute with the employer, and would rigidly define procedure for employee elections. An employment relations board would be set up with power to intervene and mediate disputes prior to strikes.

Ball Park Pickets



The U.A.W. called a strike at the seven plants of the Briggs Mfg. Co. (auto bodies) in Detroit last week after negotiations for the renewal of a union contract fell through. Pickets held a short-lived demonstration and scrap with the police last Saturday at Briggs Stadium, where the Detroit Tigers (owned by Briggs Mfg. Co.'s president) were playing a double-header with the St. Louis Browns.

LABOR ANGLES

Tie Up 14 Steamers

THE 14 VESSELS of the Eastern Steamship Lines are lying idle in ports along the Atlantic this week, with only ships' officers aboard. Last week Seafarers International Union (A.F.L.) men in the engine and deck departments went ashore in a strike for wage increases. Negotiations were proceeding this week, but the company stated that the union demands were for more than the company can pay.

The Champ

ALL CUPS AND MEDALS for most complete and comprehensive explanations of financial statements, arranged for easy understanding by employees or anyone else, should be sent to Sears, Roebuck's comptroller, J. M. Barker. In the May 10 issue of *Sears News-Graphic*, the fat tabloid-style newspaper published for employees, Mr. Barker declares that there is no good reason why financial reports should be "as hard to read as Greek or Chinese," and explains the

company condition in six pages of a snappy article entitled "Beans and Dollars." Employees are saving the May 10 issue, because they've been warned that the next edition will tell how they can win some money for themselves in a questionnaire contest based on the financial statement.

Tanker Strike and Peace

ON MAY 19 negotiating committees from the National Maritime Union (C.I.O.) went down to the Gulf Oil Corp. offices in lower Manhattan and over to the Hotel Pennsylvania, where the representative of Pennsylvania Shipping Co. was staying. By 8:30 p.m. both companies had signed closed-shop contracts running through to April 1, 1940. They had been negotiating with the union since contracts expired on March 31, and had had no ship tie-ups. However, several other big oil-tank steamer operators are hampered by an N.M.U. strike for the closed shop (BW—May 20'39, p16). The Maritime Labor Board (of the Department of Commerce), a temporary organization which will report its progress in mediating waterfront labor disputes to Congress in 1940, has helped the struck companies to resume negotiations.

Big Push—the Union Shop

JOHN L. LEWIS got the "union shop" in the coal mines; industrial unions all over the country want the same thing. That is the important thing about this week's labor news from Detroit, which expects other indications of the big push if current negotiations at Briggs Body result in getting for the C.I.O. wing of the United Automobile Workers the status they ask. Usually known as the "preferential shop," the arrangement under discussion permits the employer to hire anyone he likes, but requires the new employee to join the union after a stated period. In the automobile industry, if the union or preferential shop spreads, it is expected that impartial mediation of disputes by a third party also will be hooked onto most contracts.

Textile Tipoff

SOME SOUTHERN textile-mill owners won't like it—but the Textile Workers Union (C.I.O.) is preparing to sound a rallying call through the South which may get a lot of converts. The "stretch-out," or extension of work-loads, will be strongly attacked, as the T.W.U. moves in with demands that all job assignments be reviewed by the union and subjected to collective bargaining before being applied. In some places, it will demand further that thorough job studies be undertaken by joint management-worker councils. And, what's more, the union will ask that job duties be defined in writing and that there be 30-minute rest periods every four hours for all textile workers.

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Cheap 125-Octane Gas Soon

Oil refiners expect high-quality product which will lead to improved gasoline engines. May spend \$100,000,000 to build plants.

TWO NEWS STORIES of last week that had no apparent connection were part of a development that marks a major transition in motor design and motor fuel. One was on the front pages: the successful trans-Atlantic flight of the *Yankee Clipper*, with its four compression-pressured engines of 1,500 hp. apiece using 100-octane fuel. The other was tucked away on a few financial pages, was conspicuously vague: an unnamed petroleum research laboratory had succeeded in producing for \$50 a gallon a new fuel of 125-octane rating that when first discovered cost \$3,600 a gallon to make.

Motorist Stands to Gain

At either price the casual motorist in search of seven gallons for a dollar would doubtless demand, "So what?" He may never recognize what is responsible for it when it arrives. But the chances are excellent that in the not too distant future he will be buying cars which guarantee him a great many improvements in performance by reason of a trend in engine design seen in the *Yankee Clipper* and the trend in motor fuels indicated by the new stuff at \$50 a gallon.

And the same trend, top-flight petroleum research men flatly declare, is bound to make the oil refiners lay out at least \$100,000,000 within the next 12 months for building plants in which to perform the processes that various laboratories are right now bringing to successful conclusion.

\$25 to 50¢ a Gallon

The best anti-knock hydrocarbon hitherto on the commercial market is iso-octane, which has 100 anti-knock rating. When it was first synthesized it was indecently expensive. Universal Oil Products Co., which broke into the Big Time some years ago by developing the now universally used thermal cracking process of refining, was one of the earlier developers of a cheap process for producing iso-octane from cheap natural materials. Up to three years ago iso-octane sold at \$25 a gallon. Now it sells in large lots at 50¢ a gallon, millions of gallons a year are being used in automobile and aviation fuels to raise the

octane rating of lower-octane components. But all 100-octane fuel is used exclusively in aviation and is stepped up with ethyl lead from a hydrocarbon product of 87-90 octane rating, since this is the economical way to get the desired result.

The vague little story about a new 125-octane fuel, by breaking into print, carries to the oil-wise assurance that the new fuel is not far from the stage where it will be commercially marketable. Universal Oil Products Co. has contributed many betterments to refining, is not accustomed to emit leaks until it is in sight of its goals. And U.O.P. is credited in its industry with being way out ahead of anybody else in researching the newly discovered 125-octane fuel.

U.O.P.'s director of research, Dr. Gustav Egloff, is as yet none too eager to talk about it. But he admits he is reasonably sure some laboratory is going to commercialize the new fuel pretty soon. His guess is that it will attain commercial importance when it can be sold for \$1 a gallon, since it shows 50% greater power output than iso-octane does.

Endeavors to Cut Costs

Dr. Egloff's new fuel rejoices in the title of 2-2-3 trimethyl butane, and thus far has been costly because of what it is made from and how it is made. He is now working to get it by a cheaper series of catalytic reactions from the theoretically cheapest sources, natural gas and petroleum. If he gets there, it will be big news in the oil, aviation, and automotive industries.

Gasoline engine developments of recent years are predicated on ever-higher octane fuels. The 1,500-hp. *Yankee Clipper* engines will be dwarfed when the 2,000-hp. motors now in the experimental stage (*BW—May 27 '39, p. 32*) come into use. And designers say that the end of this trend is nowhere in sight. Significance of this line of development is today primarily in aviation because high-compression engines lift more weight from the ground, require only about two-thirds the take-off space, increase their climbing rate about 30% and their speed about 25% when they use 100-

octane fuel instead of 87-octane. These engines are already at about the efficiency of the best diesels, and at lower weight per developed horsepower, so that the theoretical as well as the practical advantages of diesels for aviation are disappearing.

For More Miles Per Gallon

Of greater significance to the man in the street, experiments are going on with passenger cars to get lighter motors, greater efficiency, and more miles per gallon by using higher compressions when and if anti-knock fuels are available at mass-market prices.

Within the past six months a new process called alkylation for producing a better fuel than nature can supply has brought into production one new plant, and large refiners are building several more. Alkylation produces a 91-octane fuel, but 40% of it can be separated as a 100-octane. This 100-octane fraction has a high flash point, so that it is a safety fuel much less likely to catch fire in a crash.

Engine design and fuel manufacture are reaching beyond nature's limitations which a few years ago were thought to outline sharply the possibilities inherent in the internal combustion engine. The oil industry is definitely in a new stage of catalysis, where the technicians design the fuel to fit the need, then make it to their specifications.

Metals Being Improved, Too

As yet there is no motor which can operate commercially on 125-octane gas. But the internal-combustion scientists pursue their experiments with confidence. While petroleum chemists struggle with cheapening the fuel, mechanical engineers are working on special metals and designs which will meet the problems of higher compression, higher engine temperatures, and cooling.

Stripped of technical verbiage, the 125-octane development means that the new fuel and the new engines will save many pounds which can be applied to pay load and wider cruising radius in aeroplane operation.

TVA Quick-Freezing

Food refrigeration plant leased to private interests after barge makes big sales.

NEAR DUSK ONE DAY last year a steamboat, churning the muddy waters of the Tennessee, backed up to a "floating refrigerator" barge and towed it off toward Chattanooga (BW—May 7 '38, p. 18). Loaded with 250,000 lb. of strawberries, peaches, and youngberries from Tennessee farms, the barge made its way slowly along the river highways, selling direct to buyers in markets as distant as St. Louis. This experimental, river distribution of Ten-

nessee's seasonal glut of fresh fruits "could have sold a million pounds."

For several years the Tennessee Valley Authority and the University of Tennessee have mulled over the problem of agriculturally rich, inland Tennessee, relatively far from large consumer markets. One solution was a food processing development of the last decade, the quick-freezing of perishable foods which are then able to withstand storage and transportation. Experiments in the preservation of foods by freezing had led to the discovery that foods can be kept close to their original condition if particular freezing rates and temperatures and brine conditions are utilized for particular foods.

Sugar "Brine" for Berries

The University and the TVA collaborated, and an experimental, quick-freezing plant was built at Cleveland, Tenn. Quick-freezing processes were developed, markets and transportation were studied, and the barge was built at Chattanooga. Recently, after pronouncing the experiments "most successful," the TVA leased the plant to private business interests headed by S. Neal Varnell, Cleveland, Tenn.

The researches had produced two principles of "fundamental importance": (1) extremely low temperatures affect the quality of the product adversely; and (2) the best product is produced by the most rapid freezing, other things being equal. Attempting to preserve strawberries in their patch-picked condition, the technicians developed a sugar "brine" containing approximately 37% solids, 10% of the solids being sucrose, 54% levulose, and 36% dextrose. This solution has a freezing point below zero and a low viscosity. Berries placed in it freeze at a temperature slightly above zero in six minutes.

Predict Big Gain for This Year

Fruits have been cold-packed frozen for about 30 years, and frozen meat was shipped from the United States to England as early as 1874. Frozen food packing is a 1,000,000,000 lb. per year business. Included in this are quick-freezing products, of which approximately 250,000,000 frozen pounds were sold in 1938. Food experts estimate a 50% increase in quick-frozen packing and selling for this year.

The chief problem in transporting quick-frozen foods is the maintenance of low temperatures. It costs \$25 more per carload for the transport of the low temperature, quick-frozen foods across the continent than for ordinary refrigeration. At the present time railroads do almost all the long-haul shipping, but local transfer is done extensively in refrigerated trucks. Waterway shipping, demonstrated by the TVA barge, may eventually become an important method of transport.

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"LIGHT-CONDITIONING with a brand new scheme of office wall-decoration is largely responsible for increasing the occupancy of Chicago's Marquette Building from 45.7% in 1934 to 83.9% today," according to Earle Shultz, building manager.

With only a 46% occupancy in 1935 and faced with price-cutting competition from newer buildings, the Marquette Building approached its problem by offering tenants improved working conditions and increasing the usability of their space.

Investigation revealed that high level illumination helped employees work faster and easier, with fewer errors. Increases in employee efficiency exceeding 50% had actually been demonstrated. So the Marquette building stepped up the quantity of illumination in its offices from an average of 4 footcandles to better than 20 footcandles. Total cost of the changeover

including the fixtures amounted to 35 cents per square foot. However, with the high intensity lighting, tenants are using three times as much current, and the additional profit from the sale of electricity will amortize the total investment in three years.

For further details of this profitable office lighting installation, write to General Electric Company, Dept. 166-BW-F, Nela Park, Cleveland, Ohio.



They stay brighter longer

EDISON MAZDA LAMPS
GENERAL ELECTRIC

New Factory Area

Clearing Industrial District, in Chicago, buys land on Northwest Side.

NEXT ON THE LIST of Chicago's industrial plans will be the development of the Montrose Manufacturing District—an 18 acre, V-shaped piece of property on Chicago's Northwest Side which will become a community of modern factories. Clearing Industrial District, Inc., which manages its important manufacturing district just outside Chicago's southwestern limits (*BW—Apr 8 '39, p. 18*), signed a contract last week for the purchase of Sellers Manufacturing Co.'s buildings and ground, which fronts on West Montrose Ave. and tapers off to a point at Irving Park Boulevard.

According to Clearing District officials, the new northwestern area will have everything a manufacturer needs, including railroads on both sides. Occasionally manufacturers who have gone out to look the southwestern area over have decided that, although there are advantages to being outside the city's corporate limits, the location was inconvenient for them either because their customers were grouped in the north end of town or because most of the employees and officers lived on the north side.

All the Sellers buildings will be torn down, the ground will be leveled off, and new streets and sidewalks will be put in. Sewer, water, and gas mains will be installed and the area landscaped. Factories will be financed on the "build-to-suit" plan which the Clearing District has been employing successfully for 30 years.

Multi-Fuel Engine

New automobile power unit can be shifted from gasoline to oil on the road.

LAST WEEK, this week, and on through June 8, the Society of Automotive Engineers is staging a peripatetic World Automotive Engineering Congress whose engineering sessions are sandwiched between forays to the New York World's Fair, to Indianapolis' 500-mile Speedway race, to Detroit's motor plants, and to San Francisco's Golden Gate International Exposition.

At one of last week's New York sessions, James E. DeLong, president of Waukesha Motor Co., read a paper, entitled "Comparative Utilization of Gasoline, Hesselman, and Diesel Engines," in which he mentioned a new engine, developed by his company, which is going to be called the "Multi-Fuel, Poly-Cycle Engine."

Closing his paper, he invited three of

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the assembled engineers to take a ride with him. The chosen three left the smoke-filled meeting room, climbed into the back seat of what was apparently a standard sedan and whisked away through the stops and starts of New York traffic.

The car stopped in a side street. The driver raised the hood—and the three engineers found themselves examining a Waukesha-Hesselman "Spark Diesel" engine whose performance had given them no hint that it was powered by a commercial grade of No. 3 fuel oil—not by gasoline.

The driver then proceeded to unwrap a carburetor, bolted it to the engine's air intake, connected it to a gasoline line, disconnected a Hesselman-Diesel oil injection pump, replaced special Champion spark plugs with Champion standards, unscrewed oil injection nozzles, and replaced them with threaded dummy plugs. Turning on the ignition switch, after less than a half-hour's work in making the changeover, the driver then restarted the engine on gasoline, retraced the route, and delivered the engineers to their S.A.E. meeting.

Engine Production Readied

Business and engineering significance of the ride is not, as might be thought, the entrance of Waukesha Motors into the manufacture of spark diesels for passenger cars. It lies rather in the discovery that a properly designed basic engine, built of the same component cylinders, pistons, crankshafts, and crankcases, can, by a simple shift in auxiliaries and fittings, be used either as a gas or oil engine. It lies, too, in Waukesha's tooling up a single new production line which will build parallel series of oil and gas engines for bus, truck, and industrial purposes in sizes ranging from 221 to 1,200 cu. in.

Engine users will have an initial choice of four fuels: gasoline, oil, butane gas, and natural gas. And, if for any reason, they should ever want to shift from oil to gasoline or the reverse, they can do so with the greatest of ease—a feature of particular interest to the bus field.



Fitted with oil injection pump and small tubing carrying fuel oil to injection nozzles, a test engine of the new Waukesha-Hesselman "Multi-Fuel" type operates as a

NEW PRODUCTS

Narrow-Staple Stapler

ONE OF THE MECHANICAL revolutions of the century is the use of mechanically driven staples to replace time-honored hand-driven tacks. A. L. Hansen Mfg. Co., 5049 Ravenswood Ave., Chicago, carries forward the revolution with its new Model T-2 Hansco Tacker, a hand-held device which drives extra narrow staples only $\frac{1}{8}$ in. wide at the crown. Narrow staples are called "Tackpoints" and they come in four lengths from $\frac{1}{8}$ in. to $\frac{1}{2}$ in.

One-Hand Extinguisher

POINT THE NEW Kidde-Lux One-Hand Fire Extinguisher at a fire, pull the pistol-like trigger, and two pounds of



carbon dioxide will chill and smother almost any small fire before it becomes a big one. The designers of Walter Kidde & Co., 140 Cedar St., New York, believe that the new device is the first carbon dioxide extinguisher for one-hand operation.

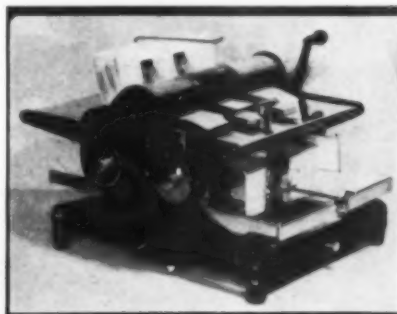
Versatile Container

SEVERAL YEARS AGO, Sealright Co., Inc., Fulton, N. Y., introduced the Bulkan, a cylindrical shipping container for ice cream and other products, which is shipped to the shipper in the flat and set up by his packer. Now the company is invading the fields of frozen foods, cheese, jam, honey, spices, and other commodities which require special protection, with the Sealright "Bag-in-

Bulkan" which possesses the added feature of a leak-proof Goodyear Pliofilm bag.

Letter Folder

FROM 3,000 to 5,000 letters per hour may be folded automatically on the new Multifolder, product of Multistamp, Inc., Norfolk, Va. It takes about the same



desk space as a typewriter and will put several kinds of folds in paper ranging in size from $2\frac{1}{2} \times 3$ in. to 10×16 in. It will even fold paper stocks as thick as "card stock."

Multi-Purpose Radio

NEWEST RADIO SET is the Multiplex Little Nipper, developed by RCA Mfg. Co., Camden, N. J., for use either as a



radio receiver in its own right or as a remote control unit through which any



"spark diesel" (left). With carburetor attached, but with injection pump and nozzles disconnected, the same engine (right) runs on "gas."

COOL COMFORT

THE WORLD
'ROUND



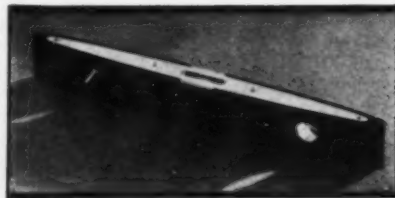
Carrier
Air Conditioning

In more than 100,000 places... throughout 99 countries of the world—it's Carrier Air Conditioning. And the list of users reads like a "Who's Who" of the World! To name a few: R. H. Macy, New York; J. L. Hudson, Detroit; Filene's, Boston; Waldorf-Astoria, New York; London County Council Building, London; Egyptian Parliament Hall, Cairo; the U. S. Capitol, in Washington—to say nothing of countless industrial plants, speeding trains, and such luxurious liners as the "Queen Mary" and "Normandie." And all this Carrier world-wide experience is yours with the new Carrier Room Air Conditioner!

other radio may be operated. It may also be hooked up to a record player or to an RCA Victor Television Attachment for complete sight-sound reception.

Plastic Level

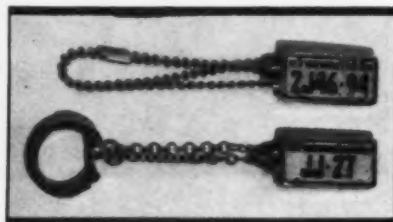
TO WITHSTAND the punishment to which many a level is heir, Millers Falls Co., Greenfield, Mass., molds the body of its



new Torpedo level out of Bakelite. Its streamlined shape saves weight and makes it easy to handle.

Miniature Auto License

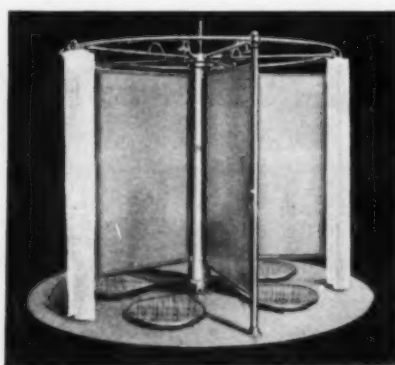
HOW MANY MOTORISTS remember the license number of their cars? Bernholz & Ross, 1387 Sixth Ave., New York City,



seeks to help motorists' memories with slightly little plastic Miniature License Plates for attachment to key chains, key cases, and even feminine bracelets. Advertisers may be glad to know that there is room on the other side of the plate for an advertising message.

Foot-Controlled Showers

WHEN BATHERS STAND on the treadle platforms of the new Bradley Group Showers, water turns on; when they step off, the water shuts off automatically. Bradley Washfountain Co., Milwaukee,



makes them for use with pre-tempered water which eliminates waste of water, such as normally occurs during temperature adjustment.

QUICK COMFORT

IN YOUR
HOME OR OFFICE



Here it is! The smart new 1939 Carrier Room Air Conditioner, backed by Carrier's 37 years of exclusive air conditioning experience. No alterations—plugs in like a floor lamp. It cools the air, removes uncomfortable humidity, shuts out noise, filters away dust and pollen, provides positive ventilation. And the price? Lowest in Carrier history!



For the Smaller Room or Office—a new, smaller Carrier Room Air Conditioner. Meets every space requirement—harmonizes with every room setting. Economical—you can enjoy true air conditioning all day for the cost of a cooling drink!

Carrier
Air Conditioning

SEE YOUR CARRIER DEALER TODAY!



CARRIER IGLOO
OF TOMORROW
NEW YORK
WORLD'S FAIR

Carrier Corp., Syracuse, N. Y., Desk 205
"Weather Makers to the World"
In Canada, Box 1050, Station C, Toronto

Without obligation, send me complete information on Carrier Room Air Conditioners for ☐ home; ☐ office.

Name _____
Address _____
City _____

MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

Holidays Cut Trading Volume

Financial community continues fairly optimistic on outlook for business and for the markets. Metals buoyed by improvement in London.

TRADING IN ALL MARKETS was restricted this week by holidays—Whitsuntide in England as well as Memorial Day in the United States. Under the circumstances, little significance could be attached to price movements, but it was noteworthy that sentiment of the financial community toward the business outlook and the trend of market prices has improved materially.

Whereas the bulls and bears were tugging away indecisively a short time ago, constructive forces have been loosed by the sustained and fairly rapid rise of stock prices in the latter part of May. While the talk a few weeks ago revolved around the failure of business to pick up in the earlier spring months, there now are high hopes that the late spring is already witnessing a real turn.

Raising Traders' Hopes

One of the heartening factors as this week started was the second successive weekly rise of fairly substantial proportions in steel operations. Then, too, there was the mildly stimulating prospect that Congress and the Administration had

pretty well gotten together on a not-too-bad tax program. And, if the truth must be known, Wall Street was definitely pleased at the disposition of Congressional leaders to drive for adjournment by the middle of July. It's a time-honored fact that the marketplaces are much happier when the lawmakers have closed up and gone home.

Into the domestic picture was injected a bit of cheer by the additional fact that things were looking up in London markets. This was particularly true in commodities (securities were a bit sensitive to the rather cutting jibes of Russia's foreign minister about the "democracies" which would become the U.S.S.R.'s allies).

Metal markets in this country, in particular, were helped by the better tone of London Metal Exchange dealings. Export copper quotations by Wednesday were high enough to impart greater firmness to the domestic price structure. There was a pretty fair business in lead in this country. Tin prices continue to hold around the best levels of the year despite reports that the buffer pool has

put a part of its holdings on the market.

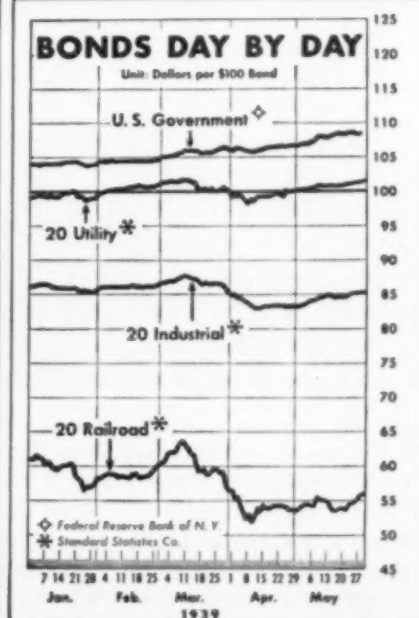
The wheat market has lost some of its fire, but domestic quotations nevertheless have held pretty well at the recently attained tops. The government's loan program, which sets higher figures for storage loans than last year, is probably the chief sustaining factor. However, the private crop estimates are for a yield of only about 500,000,000 bu. of winter wheat—the last government prediction was 544,000,000—and for a total domestic crop somewhat short of average annual home consumption of some 700,000,000 bu.

A turn for the worse came in the rampant silk markets early this week. First—and very preliminary—reports on yield of silk per cocoon in Japan indicated a larger harvest than last year. (Improved sericulture seems to be establishing higher yield per cocoon as a permanent trend.) This, in combination with the standoffish attitude of American mills at present prices, resulted in a reaction of about 15¢ a lb. from the recent nine-year peak. The trade is wondering if the early indications of higher yield per cocoon will hold for the whole crop; if the increase would bring a materially larger supply on the American market.

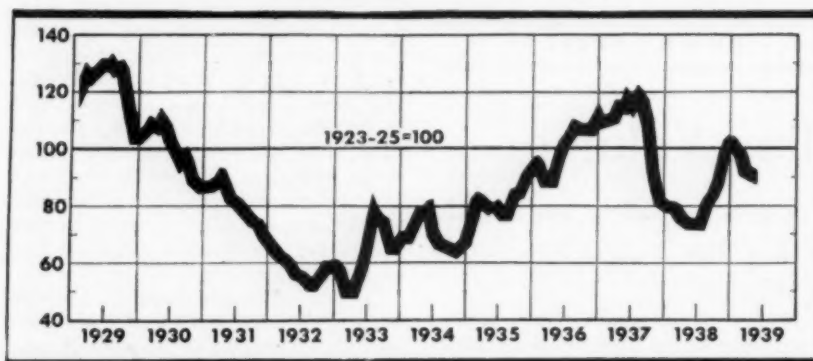
FINANCIAL ANGLES

For Sound Money

MANY PEOPLE HAVE COME to take this country's easy money policy for granted. Not so Winthrop W. Aldrich, chairman of New York's Chase National Bank. The banker, speaking before Metropolitan Life's field managers last Saturday, said that the existing easy money condition isn't based on national savings



Monthly Index Down in May



BUSINESS WEEK's Monthly Index of Business Activity for May fell to 92.7 from 93.9 in April. This compares with 75.7 for May, 1938. With

the coal strike over, the steel operations up sharply, June starts from a higher level—the index for the final week in May standing at 94.9 (p.11.)

and that, hence, it isn't sound. To restore sound money (and to restore business confidence) he urged: (a) let the President's power further to devalue the dollar lapse; (b) reintroduce gold coin standard and gold coin redemption; (c) repeal all silver enactments; (d) resume sterilization of gold imports; (e) "freeze" the unutilized profits of gold devaluation; and (f) again raise Federal Reserve member bank reserve requirements to the legal maximum.

Jersey Taxation

LATE LAST YEAR, many big corporations which carried on their operations in New York, but which for convenience kept legal domiciles in New Jersey, became alarmed by the sudden imposition of intangible personal property taxes by the cities of Newark, Jersey City, and others (BW—Dec 10 '38, p.23). And they threatened to leave Jersey for easier tax climes. But it was to the interest neither of the municipalities nor of the corporations to move—if the tax claims could be compromised. So, in most cases, they were compromised. But now another Jersey law comes up to plague companies with their business sites essentially in New York City, but their legal bodies across the Hudson River. The Supreme Court this week decided that the City of Newark has the right to impose on fire insurance companies taxes based on paid-in capital stock and accumulated surplus. In opposing the levy, insurance companies contended that the property involved was, in effect, used out of New Jersey. But the court took the view that a legal domicile constitutes a taxable domicile.

More on Capital Loans

WASHINGTON'S DETERMINATION to open up capital lending to business continues to be demonstrated. Most of the talk

now centers on three bills, more or less similar, introduced by Sen. James M. Mead of New York. He would have the government insure such loans if banks will grant them. Bankers are convinced that here is another measure which will primarily encourage bad banking, will lead to large losses which can be justified only as pump-priming.

Consumer Credit

AS BANKERS have delved deeper and deeper into the field of personal and instalment loans for profitable investment, they have realized more and more the need for cooperative efforts to point the way. To this end the Bankers As-

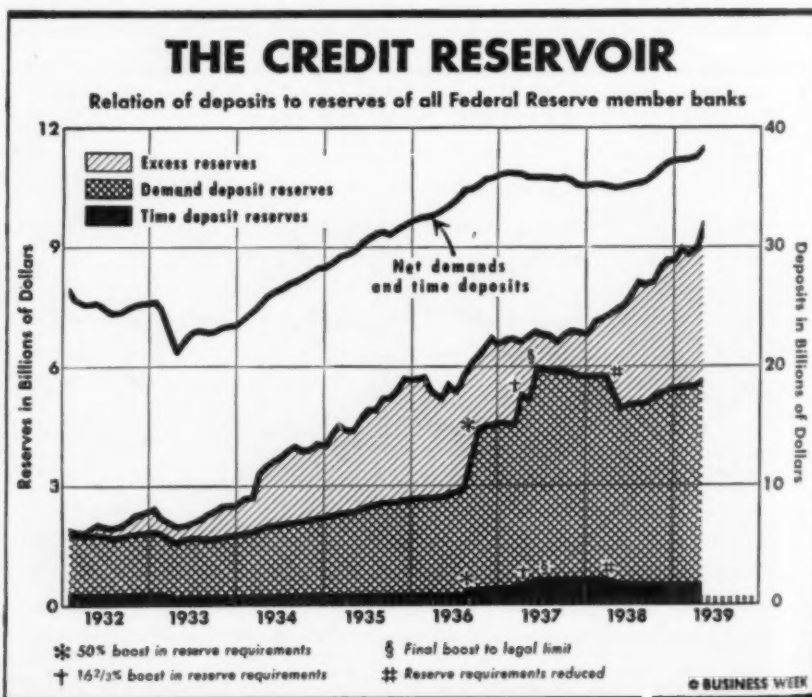
sociation for Consumer Credit has been organized by bankers in Ohio, Pennsylvania, and New York. Headquarters are in Pittsburgh and the first convention is scheduled for June 23, 24, and 25 in Conneaut Park, Pa. This convention is designed to show what may be accomplished through a clearing house for ideas on banks' participation in consumer lending. Among exhibits will be a display of the forms and machines used by banks in personal loan and instalment departments.

World-Shaking Event

THE ASSOCIATION OF CONSULTING MANAGEMENT ENGINEERS, Inc., has put out a pamphlet on "The Function of the Engineer in the Confirmation of Inventories." Undoubtedly this creative effort was stimulated by the McKesson & Robbins affair, for the opening sentence begins: "Because of the startling character of certain events which have focused the attention of the world on inventories..." During a period in which Hitler and Mussolini disturbed Europe, civil war waged in Spain, and Japan pursued the role of conquistador in China, the statement that the attention of the world is focused on inventories seems a little hard to take. It isn't hard, however, to go along with the engineers when they say it is an engineering function to make physical checks of quantity and condition of inventories. The accounting profession would be pleased to say "Amen" to that.

Wall Street Humor

IF IT'S SERIOUS BUSINESS in Wall Street, then it's funny business in *The Baul Street Journal*, annual publication of the



© BUSINESS WEEK

Bond Club of New York. And this year's *Journal*, which made its appearance this week, was called the "Private Deals Edition," to indicate the bond man's umbrage at the insurance company direct purchases of corporation bonds. And lest the matter be treated insufficiently, there is an advertisement of the Metropolitan Life Insurance Co. offering to buy, sell, or quote Commonwealth Edison 3½s. Other items: The SEC installs machine to delouse new issues; Standard Statistics puts pictures in its manuals; and E. A. Pierce announces that there is nothing on its wires these days except sparrows. Feature cartoon captioned "That's News," shows a rabbit pulling President Roosevelt out of a silk hat.

Mother's Day

STATISTICIANS WHO KNOW their business are doing a little worrying about Mother's Day. For instance, department store sales in the week ended May 13 were up 22% over last year, suggesting a boom in business. But last year, Mother's Day fell on the 8th, this year on the 14th. Result: mother's presents were bought a week later this year. Since Mother's Day, by fiat, falls on the second Monday in May, it becomes one of those days that require special treatment in weekly seasonal analyses.

Worry Worry

WHILE ALL INVESTMENT TRUSTS were worrying this week over what recommendations the SEC would eventually make to Congress regarding their future status, open-end trusts had special cause for concern. For the Division of Securities of Ohio—the state's "little SEC"—has issued regulations, effective July 1, limiting the load charge on sale of investment trust shares to 9% of the liquidating value or 8.25% of their offering price, whichever is lower. Since many trusts have loads exceeding those limits, they may have to curtail Ohio distribution, unless they can cut their charges or get a revision of the rule. But that's not all. The Alabama Securities Commission has passed around copies of the new Ohio rules to investment trusts, asking for opinions; other state commissions were reportedly interested.

Kapok Kerplunk

THE UNITED STATES has no monopoly on commodity surplus problems. Because kapok prices have become demoralized, the Netherlands East Indies is about to reduce prices and destroy 10,000 tons of the "silk-cotton" fiber. Netherlands Indies is the world's largest exporter of kapok, and the United States the biggest importer. Kapok is used as a filling in furniture, mattresses, life preservers, and such—being resilient and water repellent—and more recently as an insulating material in refrigerators.

BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

Europe Faces Labor Shortage

Germany imports alien workers; Britain prepares for a shortage. Heavy industry is pressed with rush of orders, may be forced to buy in Canada and U.S.

BUSINESS, still getting its major impetus from a rush of government defense orders in almost every country, continued to expand this week. Great Britain is beginning to discuss a labor shortage seriously; Germany is rushing skilled Czech workers into the Reich to help meet the shortage in the machine-building and construction industries; France still has no shortage but unemployment is dropping steadily. Every country is discussing the possibility of training women to fill the jobs of skilled male workers in case of an emergency, or to supplement them if the boom continues.

Exporters are watching European markets closely for the time when they will be forced to meet shortages in their

own needs from abroad, or for growing evidence to meet delivery demands of markets in Africa, South America, and the Far East.

German Financial Trouble

BERLIN (Cable)—The recently completed German-Italian military alliance has now been bolstered by a new economic agreement which provides for an intensification of trade between the two countries, but since Italy is unable to offer Germany any essential war materials except sulphur and mercury, the realization is growing here that from the viewpoint of defense economy Italy is much more of a liability than an asset.

The acute labor shortage in Germany

Queen Mary's Sister Ship



The Queen Elizabeth, Cunard White Star's sister ship to the Queen Mary, is nearing completion at Clydebank, Scotland. A modernized, speeded-up version of the Mary, the Elizabeth will go into service next year—the two fast ships making it possible for

Cunard to run a regular weekly service on the Atlantic. This week the French Line, looking forward to the same kind of service, announced it would replace the Paris with a sister ship to the Normandie, La Bretagne, to be laid down next year.

Wide World



-Ask FRIGIDAIRE to Prove the Profit for Your Business

● If you've ever asked yourself any of the following questions, Frigidaire's sensational new "Investment Value Analysis" vitally concerns you!

- How much air conditioning do I need?
- Cost to own and to operate?
- Sales increase necessary to pay for the installation?
- Sales increase I can reasonably expect?

Frigidaire's new plan, tested in hundreds of installations, tells you these pertinent facts, using data you furnish. In addition, Frigidaire's complete line of unit air conditioners quickly gives you the air conditioning you need without costly runs of ducts or building alterations. They are simply installed, easily moved!

Get the facts for your business!

Phone nearest Frigidaire or Delco-Frigidaire dealer today. See "Air Conditioning" section classified telephone book. Or wire collect to Frigidaire Air Conditioning Division, Dept. BW6-3, Dayton, Ohio, for representative to call. No obligation.

FRIGIDAIRE Air Conditioners

Made only by General Motors, Dayton, Ohio

is responsible for the importation of 60,000 skilled builders and mechanics from the Bohemian protectorate since it was incorporated in March. As a result, Czech is commonly heard around the big building projects in Berlin now, and more of these workers will be brought into Germany before the end of the year.

Moscow Worries London

LONDON (Cable)—Sentiment in England was brighter before the Molotov speech than toward the end of the week. The British are aware of the vulnerability of their pledges to Poland and Rumania unless backed by Soviet cooperation, and the speech from Moscow this week confirms the suspicions of many that an agreement acceptable to both sides may yet be far away. Russia undoubtedly is demanding a guarantee for all of the small states of Europe on the often-reiterated claim that a half-deal is little better than no deal at all. The Russians are still bitter over the fact that London refused to support them in Spain, and later to allow France to live up to its agreement with Czechoslovakia. Moscow unquestionably prefers a deal with France and Britain to one with the Axis powers, but mistrusts England too much to make a deal solely on London's terms.

Though markets are extremely sensitive to the changing diplomatic situation in Europe, industry is steadily expanding. The government's enormous orders for steel are rapidly pushing production to capacity levels and it is pre-

dicted now that orders will soon need to be placed in the Dominions to meet defense demands which will not be reduced during this year, no matter what develops politically.

Employment figures for the month of May will undoubtedly show a sharp increase and calling of the first group of conscripts will make itself felt during June and July. More than 150,000 jobless workers are expected to be re-employed to absorb this slack, and in numerous machine industries a shortage of skilled labor is already threatening.

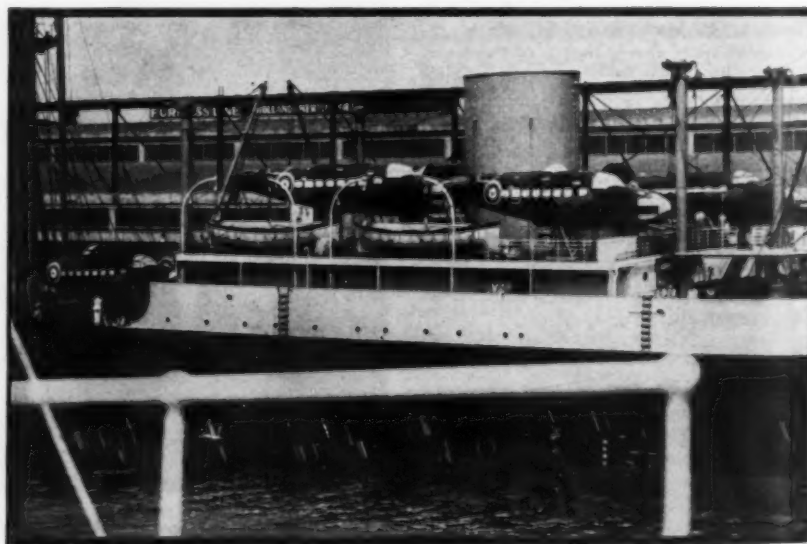
French Business Active

PARIS (Wireless)—Continued improvement in French business is reflected in the recent jump in carloadings, and the Treasury announcement of greatly augmented tax receipts since the drastic upping of the rates earlier this year in order partially to meet the cost of the vast rearmament program from current revenues. Meanwhile, war expenditures continue to mount. Shares of the principal European nations in the \$16,000,000,000 to \$17,500,000,000 spent last year for armaments were estimated in Paris to be:

	1938	1934
	(000,000 omitted)	
Germany	\$4,400	\$382
Great Britain.....	1,693	481
France	1,092	583

The franc remains strikingly strong, in spite of the steady drain of defense expenditures, a poor export outlook because of the fact that France sells abroad

U. S. Aircraft Exports



Defense purchases are still booming—above, a shipment of 23 Lockheed bombers loaded aboard the British motorship Lockhavan in Los Angeles last week, destined for the Royal Air Force in England. U. S. exports of

aircraft, for defense purposes, reached \$23,000,000 in the first quarter of 1939. The largest share, Great Britain's, was close to \$8,000,000. France bought \$5,800,000 worth; the Netherlands Indies \$4,244,297.

Wide World

primarily the kind of luxury goods which people don't buy when they are pinched by higher taxes, and the prospect of a slack tourist season this summer. Americans show a distinct preference for their two big fairs, particularly so long as war tensions continue to threaten Europe, and even the British are reluctant to get as far away from home as France just now.

French confidence grows as the government continues to deal firmly with all problems. The 40-hour week has definitely given way to the 45-hour week. Unemployment is dwindling. Private industry is still slow in placing large new orders, but the backlog of government is enough to keep heavy industry on the upgrade, and the repercussions in greater spending power are having an effect on all business.

Royalty Aids Trade

Canadian confidence revived by visit of King and Queen. People unbutton pockets.

OTTAWA (*Business Week* Bureau)—The visit of King George and Queen Elizabeth to the Dominion has had the dual, interlocking effect of inspiring confidence in the immediate political and economic future and untying purse strings. It has demonstrated that in Canada there is plenty of money for spending and that people will spend it when they feel they have justification.

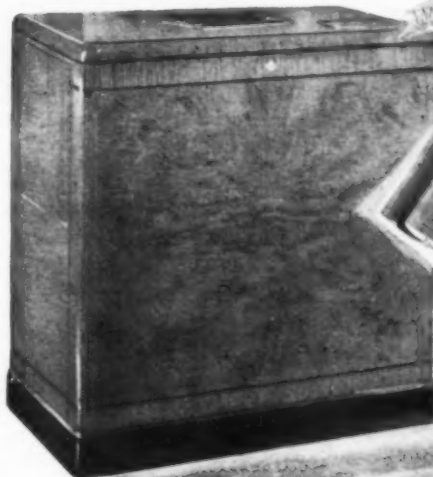
There is a feeling either that storm clouds over Europe cannot be so ominous as has been believed, for otherwise the royal visitors would not have come here; or else that since the King and Queen can get ahead with their business regardless of situations in Europe, their subjects can wisely do likewise. These reactions have been visibly reflected in internal trade and commerce and, although figures are not yet available, it is believed they are being reflected also in industrial and financial commitments.

Across the country Canadians are unbuttoning their pockets, raiding their savings accounts for royal visit celebrations. Clothing, food, gasoline and oil, and photographic supplies appear to be the lines most directly affected.

Cash In on "Favorite Colors"

Montreal uncovered an unexpected trade development. Despite every effort in England to keep secret what Queen Elizabeth would wear on her Canadian and American tour—to save the Queen, who is very much a woman on these matters, from the embarrassment of being greeted by replicas of her ensembles—somehow there was a leak, and one Canadian textile company was able to produce in advance at least the colors which the Queen has favored in her wardrobe. As a result, this company,

My Boss Keeps Fit
by Keeping Cool!



FRIGIDAIRE

Portable Air Conditioner Steps Up Office Efficiency—Home Comfort—Costs you only few cents daily

● You'll feel better, work better, and sleep better this summer in the cool comfort of a Frigidaire Portable Air Conditioner. Simply choose the amount of cool, dry, filtered air you want—and be supplied automatically—for only a few cents daily. In addition, outside noises are excluded; tobacco smoke removed. The complete full-sized air conditioning system that gives you all this, comes in a handsome, self-contained portable cabinet easy to install or move. Built by General Motors for long life, the Frigidaire Portable Air Conditioner is powered by the world-

famous Frigidaire Meter-Miser, simplest cooling mechanism ever known. So dependable is this mechanism that you're protected for five years against any service expense on it.

Beat the heat—Act Now!

Find out how little it costs to own. It takes only a minute to phone nearest Frigidaire or Delco-Frigidaire dealer. Look for his name under "Air Conditioning" in your classified telephone book. Or wire collect to Frigidaire Air Conditioning Division, Dept. BWL6-3, Dayton, Ohio, asking for representative to call. No obligation, of course.

● IT PAYS TO KEEP COOL! — Phone or Wire Today!

Powered by
Cost-Cutting
Frigidaire
METER-MISER
Protected for five years
against service expense
on the mechanism.



FRIGIDAIRE
Air Conditioners

Made only by General Motors, Dayton, Ohio

Canadian Celanese Co., Ltd., has had the biggest rush of business in years, and even with capacity operations has not been able to keep pace with the demand for its fabrics in the various shades of Royal Blue. These fabrics, and gowns made from them, reached trade establishments well ahead of the arrival of the royal party, so women across Canada have had the thrill of greeting their majesties dressed in the same colors as the Queen.

The effect on the profits of Canadian Celanese has been highly favorable. For the first half of this year, profits will approximate \$1.20 a share on the common stock against earnings of only 30¢ a share in the first six months of 1938. And the company's operations are now at capacity, with more business on the books than can be handled, whereas a year ago the plants were reduced to only part-time.

Sovereigns Spotlight Canada

The advertising which the royal visit has secured for Canada in the United States and in Europe is worth many millions of dollars, but could not have been bought for any money. Already there is evidence that it will add heavily to tourist business this year, and this travel interest in Canada should continue for several years. Inquiries by prospective tourists (page 15), the principal basis for advance calculation of the travel outlook, were, to the end of May, 90% greater in volume than last year. By the end of last week the number of these inquiries received by the Canadian Travel Bureau at Ottawa—mainly from the United States—was greater than for the whole of last year, despite the fact that, apart from its displays at the two big fairs in the United States, Canada has not increased travel advertising this year. Federal expenditure on the Canadian Travel Bureau is only \$300,000 a year.

It is also believed by Dominion executives that the royal visit will increase international interest in industrial and investment possibilities in Canada. For one thing, special editions of London newspapers featuring all phases of Canadian life should go far to blot from the memory of English investors their long-standing grievances over losses on Grand Trunk Railway securities.

Canada's Exports

Jap labels condemned. Europe's rush for war reserves boosts flour exports.

OTTAWA—Competition of Japanese goods with Canadian goods, not only in the Canadian market but in other Empire countries, has been receiving attention in parliament. The government has been asked to do something to prevent the

Japanese from packaging their goods in a way to deceive the purchaser into assuming he is buying Canadian goods. Japanese canned goods, for example, have the letters CAN stamped on top of the cans and it is alleged that this is designed to suggest that the goods are Canadian. In some cases the labels are plainly marked as having been printed in Canada while the legend "Made in Japan" is in letters so small as to pass unnoticed. This week objection was taken in the House of Commons to the marketing in this country of totem poles made in Japan. It was claimed American and other tourists bought these poles supposing them to be the handiwork of Canadian Indians.

New Zealand Curtails Imports

New import restrictions imposed by New Zealand for the purpose of restoring that country's exchange position will affect about \$15,000,000 of Canadian exports, principally automobiles, rubber goods, electrical apparatus, silk hosiery and canned fish. New Zealand will permit entry of agricultural and dairy machinery, tractors and other mechanical equipment from Canada in a volume equal to the last half of 1938.

Great Britain has refused a Canadian request for adjustment of the Ottawa trade agreement to permit Canada to impose a 3% excise tax on vegetable oils from the colonies. The proposal was made in an effort to protect animal oils produced in Canada. The vegetable oils enter free and are used in the manufacture of shortening, soaps, and lubricants. A section of the House of Commons proposes a processing tax patterned on the United States impost.

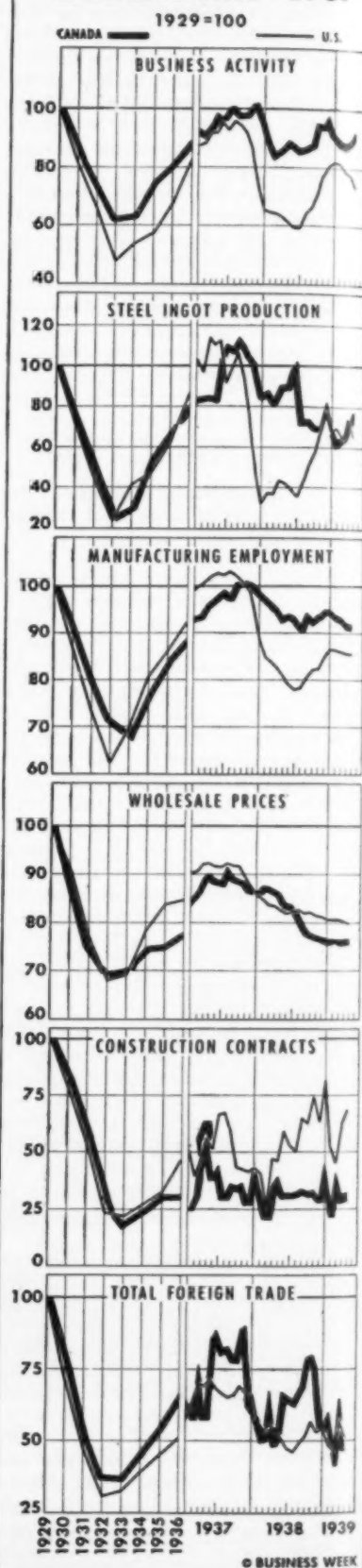
Due to the recent policy of Britain and other overseas countries, to stock up with war reserves of flour, Canadian flour exports during the first four months of this year exceeded those of the like period of 1938, despite the necessity of competing this year with subsidized wheat and flour exports from the United States.

Millers' Earnings Soar

Normally Britain takes about 60% of Canadian flour exports, and this year that market has absorbed 22% more than a year ago. In the British market, Canadian millers have had to contend not only with the United States government's aid to American flour shippers, but also with the fact that under the new Anglo-American trade treaty the United States enjoys equal preference with Canada on flour shipped to the British market.

As the result of better export business, Canadian milling companies for fiscal years which end August 31, will show the best earnings in years. A highly favorable factor, to Canadian millers, from a profits standpoint, is that at present Canadian wheat prices are in line with world mar-

TREND OF BUSINESS CANADA AND U.S.



ket price level, whereas last year Canadian wheat, which the millers in this country use, was at a substantial premium in terms of other wheat.

Canadian Tax Rebate

Government enlarges its offer of concessions to encourage industrial construction.

MONTREAL (*Business Week Bureau*)—Although the Canadian government already has offered tax concessions to encourage revival of industrial construction, several large projects are still being held up in the hope that further tax reduction will be granted. In the last budget message, the government offered to give a rebate on income tax payments over a period of three years equal to 10% of capital expenditures. Since then the Minister of Finance has revised this offer so that the rebate can be made over a six-year period.

The revision is aimed to help companies which may have no taxable income in the first two or three years; also, where, in any one of the three years, taxable income is less than one-third of the total 10% exemption.

If, for example, a company is entitled to an exemption of \$1,800, or \$600 a year for three years, and ended the first year with an income of only \$300, the remaining \$300 could be carried over as a credit until the fourth year. It cannot be credited against the second or third year, so that if a company in the second year had an income tax of only \$800 it would pay \$200 in cash. This is designed to prevent too large a decline in revenues in any of the first three years.

Asks Remission of Sales Tax

Included among deferred projects is a contemplated new strip mill of Steel Co. of Canada which would cost \$10,000,000. Ross McMaster, president of the company, has suggested that the government remit the sales tax of 8% on purchases for the new mill, and allow free entry of equipment that could not be supplied in Canada. Should government circles respond favorably to the proposals, work on the new mill probably would begin immediately.

Although to date government concessions on taxes have started no large industrial expansion projects, a number of companies, including textile, utility, and other companies, have substantially enlarged their previous appropriations for plant extension and betterment. Such action has been reflected in an important increase in contemplated building work, as revealed in the latest government figures, and certain improvements and expenditures for new machinery will show up in trade returns in coming months.

Business Week

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THE TRADING POST

Public Relations As Good Business—III.

LAST THURSDAY, JUNE 1, in Philadelphia, the McGraw-Hill Public Relations Forum held its fourth session. The discussions were led by Horace P. Liversidge, president of the Philadelphia Electric Co., and T. G. Graham, vice-president of the B. F. Goodrich Co. As at the earlier sessions, James H. McGraw, Jr., presided. In his opening comment, he emphasized that the bewildered attitude of the public toward public relations work results in considerable measure from a confused industrial attitude toward it.

"We realize," he said, "that the problem differs in detail with every situation, but we are convinced that a common understanding as to fundamentals can be achieved. We feel strongly the urgent need for a simpler definition of public relations and its objectives, and for a much wider exchange of ideas and methods. These McGraw-Hill Forums have been planned and are being conducted wholly as a contribution toward that end."

In this department of BUSINESS WEEK, in the issues of February 18 and April 8, I summed up some of the more important principles developed at the earlier forums. The speakers at the Philadelphia session gave additional point to most of those principles and added several more. The following digest covers some of their contributions to both old and new principles.

1. *Public relations are a matter of good business.*

Mr. Graham put it thus: "Business is learning the value of sound public relations work in terms both of self-interest and of public interest * * * Industry recognizes the importance of harmonious relations with employees, customers, stockholders, plant communities and with the public as a whole * * * To the individual, right relationships mean political, professional, social, or financial success. To the corporation, they mean employee, customer, and community attitudes that are conducive to leadership, profits and growth."

And Mr. Liversidge added: "Human relations shape attitudes of the general public, customers, and employees which sometimes have a profound influence, favorable or unfavorable. When favorable attitudes prevail, loss of profits from this source will be avoided. From the cold-blooded viewpoint of dollars and cents, any business man will admit that he is justified in spending money to conserve profits. So, I believe public relations work is strictly business com-

mon-sense. Which must be the case, if we are to justify it."

2. *Public relations are a primary concern of executive management.*

Mr. Liversidge put it thus: "In the crossroads country store, the proprietor was on terms of mutual intimacy and understanding with his customers. * * * If he did not gain a reputation for fair and honest dealing, a 'For Rent' sign soon displaced his usual window display. This gives us a working principle. We cannot exactly duplicate the methods, but we can embrace the philosophy. The point is this: the head of the business himself was responsible for those acts and attitudes which constituted what we call his good public relations. The moral is quite plain that the head of a business must be the head of its public relations. In precisely the degree to which he initiates and directs the carrying out of a public relations policy, that policy has a chance of being successful."

3. *Public relations must begin at home.*

Mr. Liversidge continued his parable of the country storekeeper as follows: "Suppose he decides he must have a helper. Then he enters the realm of employee relations. Assume that he selects an honest and courteous youth and trains him in the same methods he himself has practiced. Being a man of fair dealing, he will pay the young man a decent wage, make his hours of work reasonable, and give him a chance to progress and develop. Under such circumstances, customers will be treated by the assistant as they always have been treated by the proprietor. In other words, in solving his problem of employee relations, the country merchant has put that problem in its proper adjustment to his larger problem of customer relations. If we have not done this in our organizations, we have made it impossible to maintain proper public relations. To the general public, the employee is the company. Thousands of times every day, we put our public relations into the hands of our employees. Every favorable contact forges a permanent link of satisfaction between the outsider and the company. Every unfortunate contact is another nail in the coffin of our hopes for public appreciation."

4. *Good intentions alone do not establish sound public relations.*

Mr. Graham believes that "each of us hopes to enjoy the regard of his fellows and each is searching for the fruits of good opinion. But too often, we make our plans by instinct rather than by system, and devise our own rules as we go along."

Good intentions are indispensable to sound public relations, but they are not necessarily conducive to orderly procedure or fruitful results. This well-intentioned confusion on the part of management may explain in part, at least, the bewildered reaction of the public to our public relations efforts. Which suggests to me the wisdom of meetings such as this, in which management may move toward a common understanding of public relations responsibilities and opportunities."

To which Mr. Liversidge added: "The height of folly is to set up a separate staff of experts and proceed to forget all about them, under the delusion that you have done what is necessary for public relations. All you have actually done is to set up a still small voice in the wilderness which cannot be heard. Your organization has merely been provided with an expensive illusion * * * It should be emphasized that no public relations activity can be of much value if it is conceived as an entity functioning by itself. It must be woven into the fabric of our 'way of doing business,' and have the force, authority and best thought of the whole company behind it. * * * To be worth while, it cannot be regarded as an extraneous gadget that we may talk about complacently in an obscure paragraph of an annual report."

5. Public relations efforts must be sincere and natural.

Mr. Liversidge declared: "If we conceive of public relations as some fancy service to be high-pressured when we are in trouble and forgotten when all is going well, if we think of it as something artificial, instead of as something that we do perfectly naturally, in the sincere expression of our business personality, we are merely indulging in a limping imitation of the real thing—doomed from the start to failure."

Mr. Graham put the same thought in

these terms: "On the one extreme stands corporation management, which believes that sound policy and honest dealing, good service at fair prices, are the foundation of real public relations. At the other extreme, is the sort of management that fools itself and tries to fool the public into believing that it is something its policies never will permit it to be."

6. Inadequate public relations handicap industry in its labor relations.

Mr. Graham said: "The penalties of this lack of common understanding and definition (of public relations) were indicated by our experiences in labor relations during the last few years. In face of the current labor movement, all management was bewildered and given to futile protective gestures at a time when labor and its advocates were organized and unified. Its leaders knew precisely where they were going and how they would get there. They had guessed with painful accuracy what our reaction would be and how to meet it. Management was generally unprepared to meet a flank attack challenging our system of employee relations. No two of us measured the problem in the same terms or met it with the same solution. The results are too fresh in our minds to call for a review."

7. Public relations efforts should be directed toward the moderate element among the people.

Mr. Graham puts it thus: "Society is composed of three general groups: (1), those capable of taking care of themselves under almost any conditions; (2), by far the largest, those who are God-fearing, honest, law-abiding, hard-working, responsible, ready and willing to accept fair solutions to their common problems once they understand the issue, and (3), a miscellaneous group of radicals, anti-socials, irresponsibles, parasites, and what you will. It is the second group that should logically command the greatest attention of industry." W.T.C.

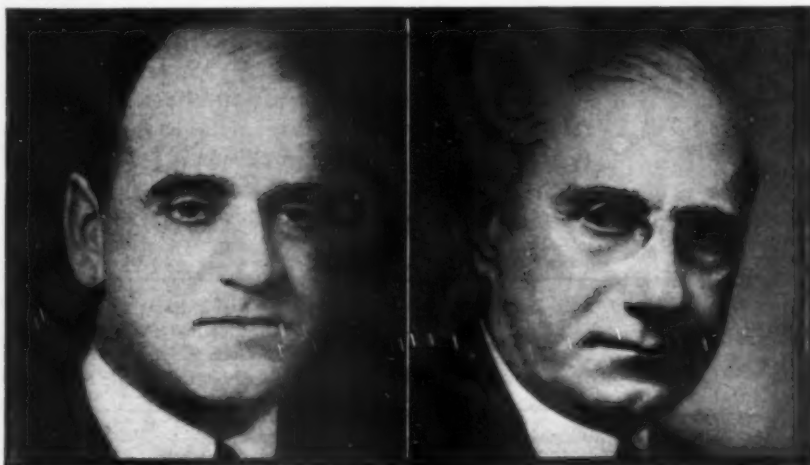


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T. G. Graham, vice-president of B. F. Goodrich & Co., and Horace P. Liversidge, president of the Philadelphia Electric Co.—discussion leaders at the Philadelphia McGraw-Hill Public Relations Forum last week.

BUSINESS WEEK

The Journal of Business News and Interpretation

June 3, 1939

The Tax "Victory"

IN HIS TESTIMONY before the House Ways and Means Committee, Secretary of the Treasury Morgenthau correctly classified the undistributed earnings tax as an irritant, rather than a business hindrance. In its original form, when the rate ran from 7% to 27% of retained earnings, this corporation surtax played an important part in business decisions. It added another imponderable to the numerous imponderables the corporation executive had to deal with (*BW—Dec 11 '37, p 41*); as such, it was definitely a business hindrance.

But in its present form, the undistributed earnings tax represents only a Congressional gesture to President Roosevelt's pursuit of a principle. Running to a maximum of 2½%, the levy does not succeed in forcing corporations to pay dividends (*BW—May 20 '39, p 56*). At best, it raises a few dollars of revenue for the Treasury. At worst, it infuriates corporation controllers once a year. So, in getting rid of it, there's good riddance. But there's danger in exaggerating the importance of the victory.

For, actually, there will be no net tax saving for the average business. Instead of the sliding scale surtax, there will be a higher straight normal tax. And the tax structure will be simplified and improved by changes in the corporation carryover and corporation capital stock tax provisions. But even so, Congress' tax work at this session can only be a hurry-up repair job—to do away with annoyances and obstructions to business. In the time left, the program cannot be thoroughly integrated to embrace the establishment of rational federal and state tax boundaries, the determination of the ultimate status of tax-exempt securities, and an inquiry into the effects of high personal surtaxes on investment.

FOR THOSE MAJOR UNDERTAKINGS, Mr. Morgenthau has suggested a special tax commission. And so, again, the basic problem of reorganizing American taxation is put over to another session of Congress. Thus, the Revenue Act of 1939 will go down as just another tax measure, not as an epoch-making document.

If, however, President Roosevelt's capitulation on the undistributed earnings tax is more than just political expediency; if, as some suspect, it represents the beginning of a change in Administration thinking about business and economics, then the new Revenue Act could take on a symbolic significance.

The undistributed earnings tax was definitely con-

ceived as a reform measure. The President wanted to prevent corporations from piling up resources and thereby escaping taxation. At the same time, he hoped to direct the flow of profits out of corporation treasuries into the bank accounts of stockholders. Only in those cases in which corporations could spare the cash did the measure succeed.

ACTUALLY, AS THE HEARINGS of the Temporary National Economic Committee have brought out, corporation financial policies are pretty well set. Most major companies, like General Motors or General Electric, are financially self-sufficient (*BW—May 27 '39, p 17*). They grew strong by plowing back earnings, and they could hardly have been expected to forego that policy—tax or no tax.

So, as a reform measure, the corporate surtax was foredoomed. Habit and established policy were too powerful for it. Furthermore, the very purpose of the act—to get savings to work—was beyond its capacity. This, also, the TNEC hearings seem to confirm. Savings go to work during periods of industrial expansion by moving into new plant and new equipment. And whether in corporation or in individual bank accounts, they tend to lie fallow until business and profits expand. Apparently, taxes don't make money go to work.

By itself, as a political expedient, the elimination of the undistributed earnings tax would be only a hollow victory. But if the President has abandoned his pet tax as a direct consequence of serious thinking on taxation; if he has come to accept the philosophy that the purpose of taxation is to collect revenues, not to reform the business structure; if he has come around to the belief that private propulsion is better than the government goad in our economic scheme of things, then those who have brought this about have achieved a major victory, not a hollow one.

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